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THE WAGES OF LABOUR

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# THE WAGES OF LABOUR

By  
WILLIAM GRAHAM  
M.P., M.A. (Hons.), LL.B.

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To  
E. M. G.\* and J. N. G.





## PREFACE

THE standard economists have discussed at length the economic and other considerations which underlie the wages of labour, and there are, of course, innumerable books dealing with particular aspects of the problem. Written in the midst of great pressure of Parliamentary and public work, this volume makes no claim either to literary excellence or to elaborate analysis of the fundamental difficulties of remuneration. All that it attempts to do is to summarize briefly some of the immediate issues, especially in the light of post-war economic conditions, and to suggest a wages programme for employers and workers.

To the main sources of information the author has acknowledged his indebtedness in a brief bibliography. He desires, however, to pay tribute to the valuable suggestions of his friend Mr. James Munro, M.A., formerly Beit Lecturer in the University of Oxford, and also to those of his constituents in the Central Division of Edinburgh who have from time to time placed many interesting facts regarding wages systems and rates at his disposal.

W. G.

105, *Sunny Gardens*,  
*Hendon, London, N.W.4.*  
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## CONTENTS

CHAPTER	PAGE
1. THE BASIS OF EFFORT . . . . .	I
2. NATURE OF THE WAGES SYSTEM . . . . .	19
3. NATURE OF THE WAGES SYSTEM, <i>contd.</i> . . . .	43
4. CRITICISM OF THE WAGES SYSTEM . . . . .	57
5. MINIMUM RATE AND STANDARD WAGE . . . . .	74
6. MINIMUM RATE AND STANDARD WAGE, <i>contd.</i> . . . .	90
7. SCIENTIFIC MANAGEMENT . . . . .	109
8. SCIENTIFIC MANAGEMENT, <i>contd.</i> . . . .	124
9. A WAGES POLICY . . . . .	143



# THE WAGES OF LABOUR

## CHAPTER I

### THE BASIS OF EFFORT

FOR the purposes of this discussion no idle distinction will be drawn between the wages of labour, usually regarded as the hourly, daily or weekly payment for so much manual or kindred toil, and salaries, paid monthly or quarterly, and in the public mind regarded for the most part as some form of reward for professional service. Except for a certain clarity in analysis the distinction is unreal and even mischievous. It is associated with the fallacy that it is possible to establish some fundamental and abiding difference between work by hand and work by brain. That there is in reality no such fundamental difference is now recognized even in popular debate. It is one of the objects and functions of a healthy economic system to secure the adequate use of both mental and physical power, and to see that they are combined in that all-round and comprehensive life and experience without which no really intelligent and

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## The Wages of Labour

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truly respectable system of society can possibly emerge.

The fallacies of such distinctions, which are just as popular among the poor as they are in a growing suburbia recruited from a greatly extended bureaucracy and among the *nouveaux riches*, are much greater than is commonly imagined. They have helped to give us such strange divisions as the proletariat, the salariat, the new poor, the middle classes, the lower middle classes, the now heavily diluted aristocracy and other mysterious gradations which are no doubt interesting and even amusing in a present-day novel, but are of very little service in the merciless logic of economic science. The fallacies are great because they are false to much of the best teaching of the economists. Very properly they have directed attention to income. They have described it as the incomings of the people which may and should be very much greater than their actual monetary reward. These incomings may include all manner of services or opportunities or advantages not to be measured in cash. To some their value will be much greater than to others, but in degree they fall to be added to the narrower monetary reward of every member of the community. Salaries and wages are therefore only a department of income. That at once throws us back upon the general incomings of Great Britain. What place does it occupy in the enterprise of the world? What security does it enjoy? What international

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## The Basis of Effort

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credit can it command? If British remuneration depends in the main on the reply to such questions it is plain that contribution to that end is made by all manner of people who are working with tolerable honesty and conviction in all kinds of spheres, directive and administrative and manual and all other forms of toil being inextricably intermingled. By the wages of labour, therefore, we mean the remuneration of all the people who are doing something useful.

The general outline of centuries of evolution in the remuneration of labour is tolerably familiar. As Mr. W. T. Layton has reminded us in a recent summary, each man in a primitive society owning his own tools and implements would be remunerated or paid by what he could produce. Almost everything would then depend on the differences of country and natural resources. If Nature was generous, livelihood would be easy; if natural conditions were hard and trying, only considerable effort would produce a living. Thus early are the fundamental and abiding problems of wages introduced. The conditions of nations change. Greece and Rome rose in early splendour, only to fade into subjects of the benevolent or acrimonious controversy of historical research. The rigid but comprehensive structure of Continental feudalism, with its retainers whose reward was food and maintenance and whose duty was military and agricultural service, gave way to the doctrines of self-sufficiency, mercan-



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## The Wages of Labour

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tilism and the static conditions characteristic of the Middle Ages, to be replaced in turn by agricultural revolution and industrial change involving the introduction of large-scale production, the growth of the factory system, the establishment of huge overseas commerce, and great rival amalgamations of capital and labour. But underlying all this transformation there is the continuous struggle of the people, and much of that struggle is summed up in the history of wages and prices. In essence the principles at stake, and the economic theories consciously or unconsciously considered, have been constant.

It is unnecessary to review at length the distinctions of the economists in the discussion of the factors of wealth production. We shall summarize an almost interminable controversy in the bald but familiar phrase that wealth is produced by the application of capital and labour to natural resources, and under labour we shall include the skill in management or direction which Professor Marshall regarded as of sufficient importance to entitle it to separate and special place. But in the discussion of capital this country has suffered much because we have thought and debated excessively in terms of money or credit or plant or buildings or machinery, and we have insufficiently emphasized the supreme importance of that personal capital resident in the breasts of the people, the initiative, skill, enterprise, genius which

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## The Basis of Effort

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to some extent is capital held by every member of the community, but in innumerable cases is either starved or dwarfed or misdirected or miserably recognized. It is this distinction which is either at or very near the root of many of the problems of modern remuneration. Most critics would agree that an economic system which was really healthy and genuinely progressive would minister continuously to the growth and recognition of personal capital. In turn that progress should be represented in beneficent improvement in the methods of industry and commerce. It should be a liberalizing and humanizing factor. When, however, we review the history of the nineteenth century it is clear that, while it was a period of extraordinary material gain and prosperity, it can hardly be suggested that the advance of personal capital kept pace, even when all allowance is made for the little we were able to do in technical and other education. In point of fact, personal capital of pronounced power is scarce to-day, or at all events difficult to locate, and it may be that no real improvement will take place until a remedy is found in the sphere of remuneration. It need not be a recognition in cash; in many cases it might be a recognition in responsibility. But, in whatever way it is encouraged, it will be conceded that if Great Britain is to have an effective place in world economic reconstruction it must without delay face the problem of perhaps giving less return to ordinary forms of capital, many

## The Wages of Labour

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of them almost automatic in their character, and more to the highest type of all.

The distinction between the wages of labour and what may be called the wages of capital is, of course, of long standing. Primarily the accumulation of almost any form of wealth, to be set aside for the production of more wealth, would involve some sacrifice. Not merely did it represent the use of what has been called the telescopic faculty, but it indicated an appreciation of the manner in which material capital is recruited. As practically all the economists have argued, the early toiler was soon confronted with the choice of consuming all he had produced in a limited riot of immediate satisfaction, or denying or postponing the satisfaction of his desires in the interests of accumulation, in the first instance probably against the rainy day and later probably for the purpose of increasing his productive power and general wealth. It is true that in the hands of Nassau Senior and others the abstinence theory was pushed to an extreme which made it the easy prey of those who are fond of ridicule even in economic science. As industry and commerce grew, many people accumulated wealth automatically, especially in undertakings of a monopoly character. Others accumulated because, having liberally satisfied most if not all of their desires, they had still a surplus. Still others accumulated because they were providentially assisted by competent trustees. Self-

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## The Basis of Effort

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denial in such cases, and certainly abstinence, were almost irrelevant arguments. But such considerations do not substantially weaken the central truth of the doctrine. And it is important to recall it because, after all, the fully-satisfied-but-nevertheless-accumulating-wealthy are in the main a small and restricted proportion of the population. Much accumulation is done by workers of all descriptions, in small sums, covering millions of people in the co-operative and friendly societies, the minor professional organizations, and the trade unions and kindred bodies.

This aggregate capital is invested directly and indirectly in practically all the enterprises in the State. In return, the millions of people to whom the capital belongs are drawing interest, or some form of return, and hence it is true that the members of the community who receive interest on invested capital are not a small and special body, as is often suggested in popular debate, or an exclusive and parasitic class, another phrase commonly employed, but in reality probably most of that section of the people which is in the last resort the mainstay of any sound and healthy country. These facts are not summarized for the purpose of defending the existing economic order. The object is rather to show that much current argument about the masses of the people being in process of progressive degradation for the aggrandisement and enrichment of the few is not in

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## The Wages of Labour

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accordance with the facts. Besides, if extremist critics could only see it, it is in no way necessary to prove such a state of affairs in order to convince the people of the value and importance of economic reorganization. A depressed community is not likely to reorganize anything. It is much more likely to be satisfied with any form of strictly temporary excitement or satisfaction, or in the last resort to have recourse to an indiscriminate destruction from which it is the first to suffer. Permanent and thoroughly scientific economic and political change will be built upon the measure of popular prosperity or security already won, and the aim should be to increase the holding of capital among the whole of the people until its reorganization for unselfish use and diffused progress becomes a comparatively simple proposition. The great intermediate section of the British people does not like the extremes of either wealth or poverty. It believes that both extremes should shade as rapidly as possible into the general, industrious effort, with its reasonable comfort and security, of the intermediate section. But the important point is that now there are millions in this intermediate force that are receiving salaries and wages and, in varying amounts, interest on the capital they have invested. They are therefore proprietors of capital as of labour, and their existence is the sharpest possible reminder that no catastrophic revolution is ever likely to find favour here. The evolutionary programme of the great bulk

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## The Basis of Effort

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of British labour is sound. Workers of all descriptions derive interest on their investments. Almost everywhere there is evidence of return on some postponed satisfaction. And that consideration perhaps more than any other emphasizes the real mutuality of interest on the part of capital and labour, and indicates that in due course reorganization of ownership and use of capital will be a kind of domestic concern, growing gradually out of the more just and more humane distribution of national wealth and remuneration of labour which the people themselves systematically evolve.

But while fundamentally the so-called war of capital and labour is unreal, the existing system does involve strenuous competition in the division of the annual yield of industry and commerce. Belief in the radical divergence of interest was fostered by several fallacies regarding wages which were current in the early part of last century. There was, of course, the suggestion that wages would depend in the main on the proportion between population and capital. Adam Smith, Ricardo and Malthus all alluded to the possible reduction of wages if the population increased very rapidly; and there was the equally familiar theory that if wages rose and the standard of life among the masses improved, population would increase to such an extent that the gain achieved would be speedily lost. The history of last century has exploded this doctrine. Material

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## The Wages of Labour

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conditions undeniably improved, but no one suggests that there has been a counterbalancing increase in population, especially within recent times. Indeed, it is not unfair to suggest that the greater the degree of comfort the smaller are the numbers present to enjoy it. Nevertheless, there are still many people who would willingly give Malthus a fresh lease of life, and they almost invariably suggest that there would be better remuneration if only the population were smaller.

More important is the survival in many minds of some form of the wages-fund theory. A century ago both Britain and the Continent of Europe were comparatively poor. It was not unnatural that in such circumstances innumerable writers should point to the scarcity of capital and to the apparent dependence of labour on the proprietor of capital. The spirit of much of the teaching was to place labour economically somewhat in the position of an applicant for poor law relief, depending entirely on the bounty of more fortunate fellows. The older economists spoke loosely of the amount of wages being limited by the amount of capital, described by Professor Marshall as the vulgar form of the wages-fund theory. Even John Stuart Mill, although he afterwards made correction, spoke of the "aggregate of what may be called the wages-fund which consists of that part of circulating capital . . . which is expended in the direct hire of labour." It was regarded as something fixed in amount, and

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## The Basis of Effort

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labour was the needy individual who was supplied from it. The argument gained colour from the circumstances of the time, for at a period of revolutionary development in industry there was a relative scarcity of capital.

About the same time both French and British writers were engaged in discussion of the theory of value, many of them suggesting that value was governed almost wholly by cost of production, with demand in a secondary place. On the other hand, Professor Marshall has indicated that the extreme forms of the wages-fund theory represented wages as governed entirely by demand, though, he added, the demand was represented crudely as dependent on the stock of capital. Most of this reasoning has disappeared, and the position now generally accepted is that all resources are parts of the national dividend, which have been directed into forms suitable for deferred instead of immediate use; and if any of them are now applied to any purpose other than immediate consumption it is in the expectation that their place will be taken (with increment or profit) by the incoming flow of the national dividend.

Nevertheless, when many employers and workmen speak to-day of the distribution of the annual dividend they speak in terms of the wages-fund theory, and not in terms of a continuous flow from which the various sections of the community will be remunerated for the



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## The Wages of Labour

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services which they render. There has probably never been a time when it was more important that this country should think in terms of an expanding industry and commerce, and of a progressive return to all earnest people willing to do their best. Recent surveys of the economic conditions of Europe make it plain that if we can surmount the artificial barriers which to-day separate producers and consumers, and if we can devise some bold scheme of international credits which will be thoroughly comprehensive, there is ample enterprise in store for all the nations of the world in the satisfaction of human needs which may with accuracy be described as real, legitimate, and concerned with the necessities of civilized life. Indeed, from many points of view, the trying circumstances which have succeeded the world-conflict have thrown a new light on demand.

The first thing to be noted is that demand is practically unlimited. Many of the best economists have contemplated a kind of reasonable life for the people which would include the generous satisfaction of immediate and pressing needs; that is, they would have ample food and clothing and shelter. But there should be added to that not extravagant luxuries, which are not recommended for any class, but at least the minor or conventional comforts and amenities of life—a controversial field, but generally described as including certain forms of beverage, tobacco, some recreation, as well as possibilities of æsthetic or

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## The Basis of Effort

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cultural development. The minor or conventional comforts shade into the necessities, and they are very important as rounding off the necessities and imparting a humble happiness to existence without which much healthy human enterprise would fall off or disappear in elementary discouragement, if not despair. It will not be pretended for the masses of workers in the world that demand, limited to such necessities and minor comforts, has been reasonably satisfied. Even if we did nothing more than attempt to meet a demand so rigidly restricted, we have years of all manner of industrial and commercial expansion before us.

Secondly, it is tolerably plain that a large part of human demand is uneducated, often misguided, and sometimes, in certain circumstances, almost criminal. In the midst of economic crisis the infallible message is first things first. The world requires primarily food and raw materials. If that is so, every effort should first be made to raise the food and provide the raw materials. Instead of that, while starvation stalks some countries, almost completely paralysing demand, and incidentally throwing the industry of other lands into gloom, large numbers of workmen are busily engaged in luxury pursuits. While immediate needs can hardly be met, millions of pounds are employed in trade in jewels, furs and feathers. The masses themselves are not without blame. It is not suggested that they should forthwith abandon

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## The Wages of Labour

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*reasonable recreation or minor comfort, but it is important to point out that even with the diminished purchasing power of inflated post-war conditions they direct a large part of their demand into spheres which, in proportion to the amount of capital sunk in them, employ relatively few workers. That is true of the trade in liquor. Again, millions are sunk either in excessive pleasure or in the wrong kind of recreation. The direction of even a tenth of the amount thus wasted annually to really constructive schemes, say, to housing, development of local and other transport, support of the urgent and necessary enterprise of the local authorities, and kindred effort would be invaluable. The redirection of that demand would in effect, and probably within a comparatively short space of time, be reflected in an increase in the real income of the workers themselves. Under existing conditions they are heavily penalized by the absence of good housing. They suffer in health. The mobility of labour has practically vanished in many parts of the country, and that means denial of opportunity and progress to those who are worthy of both. Industrial efficiency and earning power are impaired, and that involves less remuneration to-day and reduced savings for the future.*

To suggest in reply that capital must come from other sources is beside the mark. No doubt much of it comes now from the effort of the large combines and amalgamations. But the

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## The Basis of Effort

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record of the trade unions, with over eight million members affiliated to the Trades Union Congress, the co-operative movement with more than four millions, and the friendly societies with at least seven millions proves beyond the shadow of a doubt that the accumulation and provision of capital by enormous numbers of plain and ordinary people is a great possibility which we are only beginning properly to understand. It is the familiar truth that the people have even now remarkable economic power if they would only organize it, and see that it was used to demand the things which are most essential, and not, as is often the case, the things for which, without the least danger of human suffering, the demand might very well be deferred if not indeed definitely abandoned.

We are therefore confronted with the duty of proclaiming to the world that there is unlimited human need of a healthy and essential character which is not satisfied, or is only inadequately satisfied to-day. Further, there is the importance of emphasizing the fact that that demand requires training and education, and that great power rests with the people in the provision of effort to see that re-directed demand is met. As such enlightenment grows, capital and labour will tend more and more to be directed into spheres which are really essential to human progress. They will become productive and remunerative in a much healthier sense. That

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## The Wages of Labour

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in turn should provide an ever-widening basis on which the genuinely constructive work of the world can proceed.

It would be better if the change came voluntarily, but many thoughtful people, by no means enamoured of bureaucratic intervention, have argued that post-war conditions are so critical, and the importance of the most beneficial use of available capital and labour so pronounced, that the investment of capital in certain departments of enterprise should be prohibited at the present time. They single out for the most part highly luxurious or semi-luxurious trades which have apparently had little difficulty in securing the subscription of adequate post-war capital, and have certainly not found it necessary to ask the public to come to their assistance. In whatever way it may be accomplished, the re-direction proposed has a value which is beyond dispute.

In the last resort it is clear that it is this wise direction of capital and labour and their most productive use, not in the sense of monetary return but in ministry to the real needs of the people, that is the sound safeguard of wages. Such progressive improvement would almost certainly mean increased nominal wages, that is, in terms of money. But even if it did not, it could hardly fail to mean increased real wages, that is, in terms of purchasing power. For we are assuming throughout this argument that

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## The Basis of Effort

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no artificial hindrance such as monopoly or combination or trust is allowed to interfere with reproductive expenditure for the public weal.

But before that great end can be achieved, and before we are able to say that we have either eliminated the waste of misdirection of capital and labour, or at all events reduced it to a minimum, it will be necessary for both employers and workers to be less mediæval than they are to-day. An outstanding note in the economic teaching of the Middle Ages was emphasis of the static. More perhaps than we commonly realize there is even now almost the curse of the static. It is notorious that enormous numbers of men and women engaged in different spheres in industry and commerce habitually speak in terms of fixed markets, fixed demand, and the general economic experience of years—"business as usual"; "back to pre-war conditions"; "normalcy," the watchword of President Harding. The outlook would be brighter if they could think more in terms of the markets they have not seen and the demand they have not even tried to satisfy, both of them very real, and of the millions of gradually awakening people throughout the world who are the potential payers of the salaries and wages of the British people. Nothing is fixed. And there is less excuse than ever for the static when we are reaching out to new international conceptions of commerce and beginning the international regulation of labour conditions in certain

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## The Wages of Labour

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industries. The main concern of economics, says Professor Marshall, is with human beings who are impelled, for good and evil, to change and progress. The central idea of economics, he adds, even when its foundations alone are under discussion, must be that of living force and movement.

## CHAPTER II

### NATURE OF THE WAGES SYSTEM

THE system of remuneration in an economically advanced country like Great Britain is necessarily complex, but probably only a small proportion of the people realize how great are the ramifications of the problem. It is perhaps an under-statement of the position to suggest that capital strikes for higher wages at least as often as labour. When capital is withheld pending the receipt of higher interest or larger profit it is in effect on strike for better conditions. It is not suggested that it will remain long in that attitude, but in this connexion it must be remembered that in any event the waiting power of capital is usually greater than that of labour. Remuneration is therefore very comprehensive, and extends far beyond the payment of services which are ordinarily measured by time or output in the sphere more narrowly regarded as being that of professional or manual labour.

For the purposes of this discussion we shall simply summarize the methods of remuneration, in order that a suitable basis for criticism of the present wages system may be provided. It is unnecessary to



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## The Wages of Labour

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spend much time with the people who solve everything by saying that it will be regulated by the law of supply and demand. That is another example of rigidity or of the static that is inconsistent with any true understanding of economic issues. The so-called economic laws are at the best only tendencies, subject to all manner of modification, and determined by the play of human forces which are themselves the very embodiment of uncertainty and change. No doubt a strong demand for a certain kind of labour will tend to raise its price, especially if the supply for any reason is somewhat limited, just as an excessive supply of some form of service will probably lead to a low general rate of payment. But in both cases there may be powerful counteracting factors which will either hinder or accelerate the working of the so-called economic law, and in labour, as in everything else, there is always the debatable element of the substitute which may, for that part of it, be a machine, or an industrial economy or device, and not the work of a human being or group of human beings at all.

It has been shown beyond doubt that the conditions of purchase and sale are constantly changing, and that parts of the expense or risk of delivery are in process of ever-varying allocation between buyer and seller. Sometimes one gains; sometimes the other; and there must often be that equilibrium of advantage which has been the subject of much

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## Nature of the Wages System

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of the most acute economic analysis of recent years. And in the case of labour the difficulties are mostly greater than they are in the case of material commodities. There is a nominal price for labour, in terms of money, or something that can be readily appreciated, but the true price may differ widely, and it may only be reached by routes that involve much scientific investigation.

The most familiar classification of wages is that which deals with time-earnings on the one hand and piecework payment, or some system of payment by results, on the other. The former may be payment at such-and-such a rate per hour, day, week, month or year, or in respect of services which are normally regarded as occupying a certain amount of time. It is this form of remuneration which is applied to a very large proportion of British labour. For many occupations it is probably the only form that could be applied, since they do not lend themselves to measurement of output, nor would they be readily capable of carrying a general or overhead bonus or extra reward based on their broad efficiency. At the moment there is again a powerful attack on time-earnings. It is argued that with the spread of under-production as a device for safeguarding the worker in continued employment time-wages have tended in many cases to move farther away from exact or even approximate measurement of reward for the service actually rendered. They become, then, either a form

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## The Wages of Labour

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of imposition upon the employer, or, what is more likely, upon the consumer of the commodity sold. In circumstances of free or tolerably free competition in production the consumer might be protected either wholly or in part, because it might be assumed that other producers with more efficient service would obtain the market. But much of what is ordinarily used by the people to-day is produced under conditions of combined effort, through enterprises either actually amalgamated or operating under trade agreements regarding the system of production or the precise conditions of sale. In some cases the trust organization is found in complete vertical form, that is, beginning with the raw material of the industry and continuing throughout until it regulates also the completed and finished retail article.

Generally speaking, such an industrial organization, if it depends in the main upon time services and remunerates its labour upon a time basis, will be able to make allowance for the kind of output it can achieve and for any disproportion which may exist or grow up between that aggregate output and the aggregate wage-bill from time to time. It is assumed that effective rivalry does not exist, and it is certainly no exaggeration to say, especially in the light of the investigation of the growth of the trust movement in British industry by Mr. H. W. Macrosty and others, that in many spheres in which this

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## Nature of the Wages System

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problem of remuneration is now acute there is no effective competition or rivalry at home, nor at the moment is the foreign commodity able in many cases to enter the field with any chance of popular adoption. In such circumstances, therefore, it seems undeniable that consumers, at all events for a period, must bear the burden of the error in the form of increased prices or an inferior article. In the absence of serviceable substitutes this may continue, and in most cases it will affect the workers themselves as consumers of the commodity they are engaged in producing. The logic of 'canny' is invincible; in the last resort it hits with relentless force those who would dignify it as a doctrine and suggest that it is one of the temporary steps by which, to quote their own phraseology, labour can meantime get even with capital. It is neither hopeful nor dignified to seek a supreme "evenness" in general suicide.

It is sometimes suggested that, great as may be the economic evils associated with time-wages, which have never been, or have ceased to be, scientific, there will always be a healthy movement towards a sound system along at least two lines. In the first place, it is urged that, notwithstanding all the suspicion and the unrest which have been characteristic of British economic progress within recent times, the great majority of people have little patience with the revolutionary extremist who would, with frank impartiality, wipe out at once both the history of the ownership,

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## The Wages of Labour

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growth and use of capital and the story of the laborious development of the trade unions, the friendly societies and the co-operative movement. For him these things are altogether lacking in appeal to the imagination. They are far too stubborn; they are only the practical facts of a world which he dislikes too intensely to accept even as a starting-point for a better future. It is not, however, in keeping with the traditions of the British people to lend themselves to any cause of catastrophic change. We shall grope our way into a better economic system as we have painfully overcome other obstacles to progress in the past. The very most that idealists and educationists and others with a long view can hope to accomplish is to reduce as far as possible the number of blunders and to shorten as much as may be the circuitous journey towards the dawn. On this journey most people are happily well disposed. It is difficult to get them to think of foreign markets and internal economic conditions, but they sincerely desire to do their best in the callings in which they are engaged.

Most of the critics who write so freely about a progressive degradation in the moral fibre and general skill of British labour read very little history, and they obviously do not test their criticism by the impartial records of the blue-books of the time. Whence all that marvellous growth of exports and imports during the past century? Whence all that steady improve-

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## Nature of the Wages System

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ment in mechanical appliances, even if it did fall short of the expectations of many? Whence all the massing of the forces of production, the sub-division of labour, the organization of resources, and the intensive cultivation of the industrial field? No doubt much was achieved by a number of enlightened employers and organizers. But the workers have made a no less remarkable contribution in steady, conscientious and intelligent service. If the charge of sabotage by widespread or general slackness of effort or reduction of contribution had been true, the industry and commerce of Great Britain could hardly have survived the foreign competition of recent years, especially when we remember the familiar argument that in pre-war times Continental countries, to say nothing of the United States of America, were defeating us in technical and other education.

On the other hand, it is probably true that honourable service on the basis of time-wages has been exploited in innumerable cases in the interests of employers, and that in point of fact the contribution of the worker has not been adequately recognized. Business skill and favourable markets, together with monopoly power more or less complete, may account for much of the profit which has attended a large part of British enterprise, but there remains a proportion which, under a strictly just system of remuneration, should have gone to labour, of what-

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## The Wages of Labour

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ever kind, but for its inferior power in striking a bargain. .

Again, it is often suggested that time-wages tend to equity in remuneration because of the competition for employment. If some men and women do not work well they will be dismissed, and others who work well will be engaged. If industrial giants appear, they will speedily be transferred to important spheres for which their remarkable qualities fit them. In any event they will never be numerous enough to raise any considerable commotion in the adjustment of wages.

In circumstances of industry and commerce where there was not much division of labour, specialization in processes, or labour organization based on apprenticeship and training, there might be some kind of general competition for employment. But at the present day division of labour in many industries and callings is so complete that the numbers available are at the best restricted. It may be that with the detailed segregation of industrial process a particular operation can be mastered in a short time, but it will certainly require some training, according to the usage of the trade. That will involve time, and we are now discussing a position of affairs that is immediate and even urgent rather than one which is prolonged. Apart from that, even for the small, narrow, specialized processes it is generally the case that there has been apprenticeship or training to the

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## Nature of the Wages System

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industry as a whole, which is a wise foundation. That would limit the number of possible and effective competitors. But the real point is the organization of labour. It is not necessary to enter into the controversy whether there is continuity between mediæval guild and modern trade union. This much, however, may be urged. It was one of the objects of the guild to establish a certain standard in the industry it covered. It aimed at an all-round training, to secure a good, working knowledge. If the trade unions had been more zealous than they have been in the cause of technical education they would have taken some of the best features of the guilds and enshrined them in present-day industrial conditions. Above all, they would have addressed themselves continuously to the task of seeing that their members received a complete, sincere and thorough training in their respective callings.

Unfortunately, largely because of the play of economic forces beyond their control, many of the trade unions have devoted little or no attention to the problem of industrial training. Apprenticeship has practically broken down. Almost any trade union leader will confirm the statement that he can get a representative meeting of his members only when a wages question is at stake; in the larger, statesman-like departments of his work he finds little encouragement and support. Unless an organizer can secure good increases he is soon regarded as incompetent,



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## The Wages of Labour

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or on the crowded road to diminished popularity and reputation.

The consequence of all this is that in practically every department of enterprise in Great Britain there is a comparatively small number of really able men and women. The average ability is limited by the absence of real statesmanship in the unions, by the breakdown of the apprenticeship system, for which the employers have been also to blame, and by the resultant feeling that the possession of substantial skill is not really necessary. Thus it happens that the choice of skilled men and women to replace those who do not pull their full weight is narrowly restricted. The one satisfactory feature of the situation is that large numbers of workers are becoming convinced of its grave danger. Another generation of industrial drift may be almost fatal to this country. Most of the other countries of the world which have any pretence to economic enlightenment are busily engaged on all forms of scientific management, standardization, industrial training, and technical education. Our failure intensively to cultivate the undeniable skill of the industrial population is the sure road towards such losses as will eventually bring down the whole level of remuneration, nominal and real. Besides, broad-minded trade unionists recognize that their greatest enemies are the indifferent members who have almost a pride in bad workmanship and are often the people who, in times of political or other

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## Nature of the Wages System

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crisis, seek to commit the unions to every ridiculous "economic" policy. It can hardly be argued, therefore, that over a large part of the field of British industry time-wages will be assisted to accuracy because of available substitutes among the workers, competing for the occupations of those who have proved more or less unfaithful to their trust. The truth is that something short of the full efficiency has — not of deliberate purpose, but by the interplay of industrial conditions — become standardized.

It is otherwise, however, in the occupations which are not specialized, which require little training, and in which there is no comprehensive or indeed elementary organization of labour. Thousands of people who act as clerks, for example, are not organized. A great deal of clerical labour is almost mechanical; for the purposes of this argument we are excluding clerical work which demands training and skill, as, of course, much clerical work does. But in the humbler phases of the calling there are always large numbers of people requiring situations and willing to work hard to keep them. Young people of both sexes prefer the office to the workshop. The middle-aged wish a sedentary calling. The aged argue that they can do clerical work when they can do nothing else. And there are all the spare-time workers, and the home workers, and the hundreds of thousands who find it necessary to do something either to provide

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## The Wages of Labour

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an income at difficult periods of life or to supplement an income which they find inadequate for the satisfaction of their wants. In such circumstances employers may have a choice. Apprenticeship *presumably does not count*. Trade union regulation hardly applies, although the organization of clerical workers is proceeding rapidly. The numbers are very large, and they are scattered, and for the most part very little publicity is given to the actual terms of their engagements. Here, although the general standard of ability may not be high, there will probably be a real competition for work, and to that extent employers may have some choice.

Reviewing the different classes, we reach the general conclusion that what is usually in mind is an average ability, to be roughly compared with the "reasonable skill" of the medical man or professional worker to which the law has made such frequent reference. In a healthy economic system, so long as time-wages last, they should presumably improve steadily with the development of skill and the extension and establishment of industry. We are again thinking in terms of progressive expansion. Of course, if for any reason beyond its own control, such as the collapse of a world-market, or the victory of a foreign competitor despite every effort on our part, a whole industry is depressed, the time-workers cannot expect to be immune from some adjustment of

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## Nature of the Wages System

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industrial remuneration, whatever compensation may be afforded on other grounds. But in conditions proceeding to real prosperity the broad aim should be to see that time-wages are in accordance with *the definite and ascertainable contribution of the time-workers.*

The second great division of remuneration is that which is based on output or results. In later chapters we shall investigate separately the leading systems of payment by results, and the attitude of employers, workers and consumers towards them. At the moment all that is being attempted is a summary of economic, political and popular discussion surrounding remuneration in general, with particular reference to problems to which economists especially have directed attention.

Shortly stated, payment by results means that the worker is paid according to the amount of the actual product, in terms of methods of measurement which vary widely in different callings. The shortage of practically everything essential to human progress which is the inevitable consequence of war on the scale of the recent conflict, and the apparent failure of production to respond, has led many people to suggest, notably where they believe the failure to be due to economic heresy or mischievous social doctrine, that the only remedy is to put all industry on a system of payment based on output. That is the kind of sweeping statement that serves only to

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## The Wages of Labour

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prejudice the discussion of a vital issue. In many callings it is practically impossible to measure output, and even if it could be measured it could hardly be allocated for purposes of remuneration among those engaged. A tram conductor is not responsible for the fact that fewer people travel on his tram one day than on another. He may be a workman, but he cannot control the weather or the tastes of the populace. In such cases there might be an overhead bonus based on the efficiency of the system, or its profits, but even that would depend on factors not controllable by the majority of the workers. Special reward in such cases there may be, but in the main remuneration in the immediate future must remain on a time basis. There are other tasks in which it would be highly dangerous to pay workers by results; the whole essence of them is ample time, perhaps in delicate operations involving much technical skill, to produce an article that can be guaranteed in every way for the purpose which it is designed to serve. For the time being payment by results must apply at the best to only a section of the people, although that section might even now be very large if an acceptable system could be devised.

Let us look, then, at some of the broad considerations underlying payment by results. It is often argued that everything would then depend on the efficiency of the workers. That would be true if the

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## Nature of the Wages System

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conditions under which different sets of workers on payment by results were engaged were everywhere the same. But if conditions and appliances vary the results will not be in proportion to the efficiency of the workers. In British industry the conditions and the appliances do vary considerably, even in individual factories, and certainly in different towns and districts. Many employers are just as devoted to obsolete methods as the most conservative worker could be, and there is thus a fundamental difficulty in the application of uniform rates of piece-work wages. Again, we are apt to argue this case as if there were only two alternatives, either time-wages or piece-work wages. As we shall see later, time and output are inextricably bound up together, and there is hardly any system that has not both in mind, but it should be recalled, as Professor Marshall pointed out, that there are efficiency earnings. These, as he indicated, are earnings which are measured not, as time earnings are, with reference to the time spent in earning them, and not, as piece-work earnings are, by reference to the amount of output resulting from the work by which they are earned, but with reference to the ability and efficiency required of the worker. Now, in the study of remuneration this brings us to the threshold of a department of research which, practically speaking, we have scarcely approached in this country. It raises more than the questions of time-study and motion-study and indus-

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## The Wages of Labour

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trial fatigue, which are associated with American and other systems of scientific management. In reality it raises one of the largest and most poignant issues of economic science, the industrial life of the worker, and the use or investment of that life.

In a recent study Dr. Charles S. Myers has *analysed fatigue, the mental, physical, psychological strain of industry*. His conclusions form a sharp reminder of the real price that workers pay in the progressive exhaustion of their power. By the trade unions the problem has hardly been touched; to overwhelming numbers of employers it is still unknown. But while officially and publicly these facts will hardly be disputed, it is true that the average man or woman makes some kind of rough calculation of the cost of certain effort. There is an instinctive sense of the danger of premature age or breakdown. There are the familiar questions in every workshop and factory whether workers are likely to kill themselves or unnecessarily exhaust their energy; broadly and generally the desire seems to be to safeguard the length of the working life, partly because of the objection to dependence on others, partly because of the desire to provide for age, and partly because of the feeling that neither industry nor society is likely adequately to recognize the sacrifice of exceptional effort. Further, it must be remembered that on all sides workers are confronted by risks attendant on bad housing conditions in unhealthy areas and the

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## Nature of the Wages System

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extraordinary congestion of population in many industrial centres, to say nothing of the influence, among certain numbers, of physically harmful habits. The inevitable effect of this almost universal fear among industrial and professional workers is that a very considerable percentage of the people of this country *never, so to speak, perform their tasks with all their might.* Whether they realize it or not, their tendency is to keep something in reserve, and where this is pronounced it may amount to a systematic under-production capable of statistical or other measurement.

Where remuneration is fixed, automatic or according to a standard rate, the tendency will be encouraged, for the worker reflects that, after all, he can get just the same payment for less exertion, and if employment is tolerably secure he acts accordingly. Sometimes, as we have seen, this policy is adopted for the purpose of making certain that the employer will distribute relatively more in wages. In that way, it is thought, there will be a fairer division of the product of industry, and it will be more immediate in character, and, for the worker, more practical than any amendment in distribution that may be achieved at a later stage and by an indirect method such as taxation. The best minds in the labour movement now recognize, however, that this policy is merely another way of penalizing the community, especially at a time when very large numbers of contracts are let subject to provision for variations



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## The Wages of Labour

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in wage rates or for the aggregate amount of costs of production. In such cases employers are not so keenly interested in the amount of remuneration, since, within tolerable limits, whatever happens, they are protected.

Nor is the problem solved where payment by results is in force. It will be seen later that one of the gravest objections to such systems by the workers is the physical and mental strain involved, and the theory that the extra return, if any, which is accorded is not adequate compensation for the shortening of the working life. Besides, even the remuneration which results from many of the systems of payment by results itself tends to become automatic and stable, and the tendency to limited effort which was characteristic of flat rate remuneration reappears in much the same form under a method which was advanced in many instances for the precise purpose of removing it.

It is plain that if Great Britain is to maintain her place in the markets of the world this substantial danger must be resolutely faced. It is no reply to suggest that such conditions are found in other lands, and that competition will proceed on the doubtful basis of a general lack of full efficiency. It is equally idle to say that where efficiency methods have been widely introduced, as in America, they have not achieved more than a portion of the improvement their promoters expected.

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## Nature of the Wages System

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In effect, the choice before all students of industry and commerce in this matter is very simple. The first suggestion is that we should continue, with the best will and purpose we can, to wait until all the employers are so enlightened and all the workers so healthy physically and morally that economic enterprise of all kinds will become beautiful and dignified and thoroughly efficient. But progress, as Dean Inge and others have pointed out, is not automatic and independent of steady, constructive human effort. We shall fail miserably if we tolerate one day longer than is necessary systems which are steadily sapping efficiency, to say nothing of morality, and reproduce in modern times many of the cardinal errors which led to the downfall of the great peoples of the past. The application of an almost idyllic *laissez faire* is not for to-day.

The other method is to work with enthusiasm for the application to the whole range of our industry and commerce of a sound scientific management, so that we shall be able to say that legitimate ideals have a fair opportunity of realization. The thoughtful collectivists now recognize that even in a system based on popular ownership and democratic control such scientific management would be necessary, for it is no longer suggested that even then the race would necessarily be composed of angels.

What, then, in such a matter would be a legitimate ideal? Hours of labour should be such as will secure

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## The Wages of Labour

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from each the best that he can do, without sacrifice of health; there should be neither overwork nor underwork; he should be in such mood and physical fitness as to turn with pleasure to some other interest, and so enjoy that variety of experience in life which is one of the most important factors in industrial efficiency. Remuneration should be such as to remove worry concerning the satisfaction of material needs; it should give the possibility of happiness and comfort now, and provision against age. In short, work should be adjusted in such a way as to minister to a really complete and rounded life.

The ideal is not one which it is impossible to realize. It involves, it is true, a "new social order" as well as industrial reorganization. It is partly dependent on better housing, transport, educational facilities, and the development of public services and communal enterprise. There should be no period of marked industrial prosperity without corresponding reflection in the amelioration of social conditions.

Within industry the field is almost unlimited. In this country we are only at the beginning of definite effort to secure the selection of the proper people for different forms of service. Powerfully built men are employed as park-keepers watching the children at their games, while their consumptive, weak-chested fellows struggle along under heavy loads in the close confinement of hot factories or dusty warehouses. In

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## Nature of the Wages System

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due course the community pays for this misdirection in its bills for poor relief and for national health services.

Then there are enormous numbers who are expending two or three times the energy that should be necessary for even the better performance of their present work. As scientific management has shown, innumerable pursuits are full of unnecessary motions and unnecessary fatigue; the time involved in others is excessive, and leads to that boredom which is the paralysis of effort; while heavy preparatory adjustments of machinery laboriously effected by hand engender a weakness which adds to the time occupied by the job, makes the workers less efficient, and helps to perpetuate the obsolete methods which have done more than any hostile tariff to impose a burden upon British industry.

In this chaos output suffers. Dr. Myers alluded to the fact that, according to the British and American census of production for 1907, in twenty-six leading trades there were roughly four British to five American wage-earners, yet the total production of the two countries was as 1 to 2.64, the horse-power which they employed was as 1 to 3, and the value of output per wage-earner was as 1 to 2.1. These remarkable differences were ascribed to bad organization, to restriction of output, and to the deficient supply of machinery. For the comparative weakness which has overtaken British industrial methods workmen are, in

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## The Wages of Labour

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numerous instances, in no way to blame. British bricklaying is at the moment the classic example of restriction of output. It is alleged that when men were on piece-work in 1885 the number of bricks laid in plain walling per worker per day varied from 1,200 to 1,500; in 1912 it was round about 600 per day; while in 1920 it was 300 or less. In this connexion it is wrong to suggest that bricklayers have achieved the very refinement of depravity. No doubt there are mischievous trade union regulations to-day, but that compels us to ask why the regulations were framed. When these are examined dispassionately, it is generally found that it is the presence of unsatisfactory conditions in the normal conduct of the industry which has led to the adoption of some unnatural or unusual device to protect employment and remuneration. Again, in most cases little or nothing has been done to introduce devices to reduce the expenditure of human strength and effort. Under the most favourable conditions of an advanced scientific management it is said to be possible to lay 350 bricks per hour.\* So able is the marshalling of rebutting evidence in industrial disputes to-day that it is generally difficult for laymen to form a proper judgment, and the figures which have been quoted have been freely ridiculed by both sides. At least it is clear that weak organization is leading to reduced output, higher costs for the community, and ultimately no real gain to any class of workers in the country.

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## Nature of the Wages System

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And that is what must be specially emphasized. The absence of this application of scientific principles to industry is penalizing British wages. We ignore the problems of mind and work, industrial fatigue, the organization of plant and machinery, the psychology of the workshop, the unnecessary exhaustion of misdirected effort, the human side of output and scientifically sound methods of remuneration, and then we discover that the cumulative effect of such neglect is substantially to restrict our enterprise in the world, to weaken the whole economic fabric, and in the process to leave less for British workers than they would have enjoyed if there had been reasonable co-operation, even within the limits of the present economic system, in seeing that changes of admitted value and undeniable principle were introduced. Instead of being the subject of perfectly impartial investigation such considerations are now either dismissed as impossible because of a mutual distrust and suspicion, or, in so far as they have been applied, are regarded as a convenient starting-point for fresh forms of industrial strife. In such an atmosphere all the greater credit is due to the industrial and commercial concerns which have given scientific management a fair and impartial chance, inviting their workers to co-operate in eliminating the inhuman features which are the inevitable consequences not of scientific management but of its misapplication. For the most part its weakness has arisen from the ten-

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## The Wages of Labour

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dency to regard it as productive of disproportionate advantage to one party, if not of immediate detriment to the other. Rightly applied it is capable of being a most important step in the process of mutual and communal gain. In his "History of Great Britain," Mr. James Munro was sound in the contention that for the high cost of living a remedy may not be found till means are invented and applied for increasing production without exhausting the strength of the labourer.

## CHAPTER III

### NATURE OF THE WAGES SYSTEM—(*continued*)

IN discussing the question of exceptional or even considerable exertion in work from the point of view of premature age or weakness in industrial life, other questions of importance have been suggested. As Professor Marshall has indicated, the workers who earn most in a week when paid at a given rate for the work are those who are cheapest to their employers, and ultimately to the community, unless, as he shows, they overstrain themselves and work themselves out prematurely. That argument was based on the fact that the speedier workers use only the same amount of fixed capital as their fellow-workers who are slower. Their output is greater, and each part of it carries a smaller charge on that account. The total cost of the work done by the more efficient, although they get the higher wages, is lower than the total cost of what is done by those who get the lower wages on the same basis of payment. This disposes of a suggestion that is often made that it does not matter to the employer how many people are employed provided that his total wages-bill for the work is the same. In a highly industrialized country, with an elaborate factory system and extreme specialization in



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## The Wages of Labour

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machinery and in its use, it will pay an employer to give a larger aggregate sum in wages to a smaller number of men than a smaller total sum to a larger number of men who happen to be less efficient. This raises another of the problems of modern scientific management, and it has also a direct bearing upon at least one phase of the doctrine of the economy of the good wage.

*Economic history*—a subject which does not even to-day occupy its proper place in our educational curricula—shows that slave labour proved in the long run to be the dearest of all forms of labour. Bondage is not likely at any time to be economical in its results, and there can be no general advance without willing co-operation, on terms of basic equality in opportunity, among the members of the community. Investigation into some of the one-sided contracts between capital and weak or unorganized labour has shown that depressed occupations are also inimical to the public interest; they are rarely as productive as they should be; and for the most part they have been conducted, as we shall see later in a reference to the application of trade board methods in Great Britain, under circumstances of great physical and material suffering and loss. Nevertheless the idea of trying to obtain labour at the lowest possible rate of remuneration persists in many quarters, and more and more we have to emphasize the fact that, just as there are weakness

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## Nature of the Wages System

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and danger in earnings which for any reason are artificially inflated, so is there grave danger in a level of payments which is artificially low, and which involves as a rule the progressive degradation of the worker. Apart altogether from the obvious lesson of the sweated industries, there is much American and other experience to lead us to the conclusion that *we have insufficiently emphasized the economy of the good wage.* In America it is a familiar saying that the best business man is he who contrives to pay the highest wages; in this country many business men still speak as if industrial triumph had been secured when they succeed in paying the lowest.

On this point there has been much illustration of considerable value. It was pointed out, for example, that at a recent date British pig-iron stood at £11 5s. per ton, compared with £2 10s. in 1914. At the same time the American price was about £7 at parity of exchange. When allowance had been made for freight, insurance and loss on the exchange the American price was about £13 15s. at British ports. There was no effective competition in our market, but our comparative failure in economical production was clearly revealed. It is important to point out, especially to present-day critics who trace every evil to high wages, that this American advantage in the actual price was not due to lower wage-rates in the United States. As a matter of fact they were very

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## The Wages of Labour

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much higher. It was due to the fact that circumstances in America had compelled American engineers and industrialists to ascertain how they could employ trained and even expensive labour so as to make it economically worth while. The relative wages of the two countries, together with the different prices at which practically the same commodity could be offered, were in reality the result of much industrial and economic investigation, particularly in America. At home our distances were short and haulage was *not, on the whole, considerable. In America and on the Continent of Europe distances were great, hence appropriate wagons, remarkable machinery, and a determined effort so to organize the system that the things which apparently cost much to produce could yet be placed on the market at a low price.*

With the considerable rise in British remuneration, and with new forms of competition confronting us, the uneconomic character of many of our methods has been forced into publicity, and we must now undertake with resolution and sincerity the task of making dear labour cheap. It is clear that all along the line British labour will oppose reductions in money wages, even if it can be demonstrated that among the early consequences would be a rise in real wages. There is a marked disposition to try to maintain the ground that has been won as a result of war experience. There is, however, reason for believing that the application of scientific principle, provided that employers and

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## Nature of the Wages System

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workers co-operate in the process, would result in the maintenance of the higher rates with a larger production, mutual gain, and a lower range of prices, which would be of substantial advantage to consumers. By the application of methods already well tested, high wages become low wages per unit of output, when labour is directed on sound lines. Many of the cheaper motor-cars which are used with success by innumerable firms and private individuals at the present day are made by highly paid labour, and but for the influence of the exchange they would have been even cheaper in recent times. Present circumstances, therefore, seem to be peculiarly appropriate for emphasis of the fact that poor remuneration is not a gain to any country, but will almost certainly prove to be a loss.

It may be suggested in reply that while there has been steady improvement in the remuneration of the people, and apparent recognition of that principle, output has not increased to the extent that might have been expected, nor has individual skill made marked advance in many of the callings on which Great Britain normally depends. The reply to that would seem to be that we have first of all done very little for technical education; secondly, we have allowed our system of apprenticeship to break down; and thirdly, we have never associated with the progress of remuneration almost any form of scientific management such as would have effected the enormous economies

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## The Wages of Labour

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which are admittedly possible in most of the important branches of our industry and commerce.

There are other elements in the wages system of Great Britain the importance of which has been accentuated by the circumstances of the world war. With a low wage level, or with a wage level which is nominally high only because the cost of living has considerably increased, supplementary earnings have a greatly enhanced importance. Many critics suggest as an ideal a state of affairs in which each member of the community would have a definite occupation, with no need for any supplementary or subsidiary calling. It is doubtful, however, whether under any circumstances, including those of a fairly complete collectivist organization, such an ideal could ever find practical application. Even if the arrangement of employment did not make it certain that there will always be part-time jobs and seasonal occupations, the weaknesses to which human flesh is heir would make it necessary to provide for something less than regular full-time work. Many people are not physically fit for regular work, but their health would be greatly improved by occasional occupation of the right kind. Indeed, there is now a well-marked tendency in the treatment of many diseases to regard such occupation as among the best forms of curative effort. That tendency in itself would be sufficient to ensure the continuance of part-time employment.

But there are other reasons why the question of

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## Nature of the Wages System

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subsidiary callings should be thoroughly examined. The general efficiency of the British people is already suffering because of excessive concentration and specialization, and certainly because of a monotony in toil which is one of the unhappiest features of present-day civilization. In many of the industrial centres of the Continent working men and women primarily occupied in factories or warehouses cultivate gardens or allotments, which, of course, in times of unemployment provide a partial livelihood and avert the danger of degeneration through enforced idleness. That is only one illustration of a subsidiary calling; there are others to suit almost every taste. The gain is obvious. Not merely is there benefit to health, but there is variety of interest. There is a distinct contribution to efficiency, a contribution in which the leading note is that of practical education. If wage systems are to continue for the most part on principles of standard rates, allowances common to large numbers of men and women with varying needs, it is clear that much of the necessary supplementary or adjusting income, as it may be called, must come from subsidiary occupation. It will enable homes with special needs to have such needs met. Thus we are led to the family basis, and to the much-discussed suggestion that if the family is the real unit in the State we should face the proposal that as soon as possible remuneration should be put upon a family footing. The more this suggestion is

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## The Wages of Labour

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examined, however, the more hopeless would its adoption appear to be. In general the family as a unit has no longer any relation to a particular industry. If recognition is to be made of the varying needs of different homes it must come in some other way, and that in general will raise problems of subsidiary occupation. It does not follow that such an occupation will add to the working time of the head of the household; it may receive partial attention at the hands of members of the household in his absence, as is often the case. On the other hand, to him it may be recreation, like the cultivation of allotments, which the war forced upon the attention of Great Britain. All that it is desired to emphasize here is that for the benefit of our wages system, to say nothing of the substantial improvement which would ensue in social and industrial conditions, we should undertake without delay the study and organization of subsidiary and supplementary callings. Their influence upon health and economic efficiency would be pronounced. And it is certain that the output from them would be considerable enough to have a marked effect on the prices of most commodities, and thus a beneficial reaction upon real wages. Keeping in mind the gain in efficiency, there would appear to be little ground for the suggestion that any attempt would be made to use the existence of such callings as a pretext for the depression of wage levels.

Again, remuneration is still influenced to a con-

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## Nature of the Wages System

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siderable extent by popular attitude towards the occupation. Professor Marshall alludes to the importance of looking beyond the mere earnings in a trade in the desire to ascertain its net advantages. There are personal factors which are always of importance. Many people of proved ability prefer to live in rural districts with a relatively small weekly income, to which they always add the advantages of their quiet, healthy and beautiful environment. On the other hand there are many workpeople with considerable weekly income who prefer to live in one or two rooms in order that larger sums may be available for recreation, or amusement, or other purposes. Similar tendencies are found in dealing with disagreeable occupations and the wages they offer. No matter how hard economic conditions may be, people would rather have lower weekly income and remain out of them, and there is thus in certain callings such human restriction of the supply of labour, as it may be described, as will make it certain that wages will for the most part tend to remain high. On the other hand certain callings are habitually so poorly remunerated that only workers of very low intelligence, or people compelled by circumstances of poverty and physique, consent to enter them; the supply of labour is usually considerable, if erratic; there is rarely any organization, either of workers or employers. The work is no doubt disagreeable, but that fact has little or no influence in raising the



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## The Wages of Labour

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amount of remuneration offered for it. That is due to the fact that it can be done by people of poor industrial ability. From this, says Professor Marshall, arises the strange and paradoxical result that the dirtiness of some occupations is the cause of the lowness of the wages earned in them. "For employers," he added, "find that this dirtiness adds much to the wages they would have to pay to get the work done by skilled men of high character working with improved appliances; and so they often adhere to old methods which require only unskilled workers of but indifferent character, and who can be hired for low (time) wages, because they are not worth much to any employer. There is no more urgent social need than that labour of this kind should be made scarce and dear." Labour should take every step to hasten the introduction of better methods. There is nothing permanent either in dirty occupations themselves or in the low remuneration often attached to them. Strictly speaking, they should have been the first to be reformed, as their need was undoubtedly the most urgent. That they have persisted in such strength and variety after more than a century of the application of scientific device to industry is a reminder of the lop-sided character of even outstanding economic progress.

In educational circles there is at the moment a certain disappointment when effort is made to ascertain how far capital is being definitely invested in

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## Nature of the Wages System

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the preparation of young people to carry the load of industry and commerce in the near future. By preparation is meant not merely vocational or general education, but rather the provision of an environment in home, in healthy and refining influences, and in a width of outlook and experience. For very large numbers of well-meaning British people the opportunity for such investment of capital, perhaps the most productive investment that can be made, is limited by insufficient resources. Among the wealthy classes the limitation presumably does not apply, but the unfortunate fact in their case is that, for the most part, they will not enter industry or commerce in the spheres where the need of trained and disciplined minds is greatest, if, indeed, they enter any form of business at all. It is conceded that the sons and daughters of many men who, however narrow their conception of wealth and welfare, nevertheless were not afraid of hard work, frequently prefer the luxurious habits of ample leisure, and have a certain pride in being numbered with drawing-room loafers and pampered idlers who are, if anything, more objectionable than their collarless fellows of the underworld who announce, with commendable honesty, that for the greater part of their lives they have succeeded in just avoiding work. With such waste where the financial resources are not in doubt, there is corresponding increase in the responsibility which is cast upon the professional and higher artisan classes.

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## The Wages of 'Labour

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Perhaps more than any other section of the community they, of their own accord as well as by force of circumstances, look to the future. There is a certain legitimate and healthy competition in the *investment of capital in their children, and pride in their scholastic and other achievements.* There are few things more remarkable than the sacrifice of many working parents in the interests of a University education; the growing influence of young people so trained is recasting the whole problem of democracy and its application to British conditions. To this must be added the increasing power of adult education. For those in manhood and 'womanhood it will redress much of the deficiency of earlier years, but its effect upon their children should be even more pronounced than it is upon themselves. The ideal they have in view is a rounded and generous life.

Now in such classes there is an undeniable investment, not nearly so great as it might be, but still remarkable, in the rising generation, and in due course that should tell in the direction of the progressive improvement and stability of remuneration. It will be much more scientific in its analysis of the advantages and disadvantages of an occupation; it will be able with far greater clearness finally to determine the net advantages; and it should be able to receive, on the investment made on its behalf, the highest form of return in life itself. But unfortunately conditions among poorer wage-earners and the smaller

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## Nature of the Wages System

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professional classes are not nearly so encouraging. In the densely populated urban centres and in many of the rural districts social conditions are so appalling that there is not now, and probably will not be for generations, even that physical or moral health which would render possible the very contemplation of sustained effort in any form of investment worth while. Millions of people in such circumstances are governed almost exclusively by immediate considerations; rent day is often the melancholy limit of human vision and the morbid goal of a despairing toil. Of all the factors which impress men and women who have striven to save what to-morrow will be the social underworld, there is not one which is more distressing than the almost complete absence of vision and hope; that is, vision and hope of the right kind. It is possible to do something with men and women who can think of next year, or the one beyond, but little can be accomplished when everything is bounded by four narrow walls, to-night or the week-end, and the satisfaction of the crudest of material needs. In passing, let it be remembered that it is this section of the population primarily, and not the wealthy or the influential, that fills British labour with despair. Yet it is from this layer of society, so to speak, that large numbers are being recruited year by year for industrial and commercial occupations of all kinds. It is true that it possesses its exceptions. Members of Parliament

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## The Wages of Labour

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have been born in workhouses, and great leaders of the people began in what are called the slums. But *normally there is crucifixion of the faculties and abilities.* Every year there is a large contribution to the under-developed and undeveloped. And, as has been shown beyond dispute, if they had enjoyed even half or three-quarters of a chance—it is a full chance that is asked for—they could have added to the material wealth of the country far more than would have met the cost of providing adequate opportunity for their training and development. The annual contribution of such concentrated moral, physical and industrial inefficiency is the dead-weight lying upon the shoulders of British remuneration. The aim is high-paid labour trained in such a manner that in ministry to the needs of all the people it is in reality cheap. To that end health and vigour in physique, morality and industry are necessary. But it is in the depressed section of the people that the birth rate is highest, and so from generation to generation, notwithstanding the efforts of social and sanitary science, which can do little more than pretend to salve a portion of the wreckage, the weaknesses tend to accumulate.

## CHAPTER IV

### CRITICISM OF THE WAGES SYSTEM

THE number of strict Marxians in Great Britain is comparatively small, and they are so acutely divided amongst themselves in theoretical issues that they have very little time to take notice of this world. The theory of the steady appropriation of the so-called surplus value due to labour by an exploiting class is current in popular forms in the thought of large numbers of workers. Most of the leading collectivists recognize that the surplus cannot be accurately attributed to one section in industry or commerce; it is at least to some extent also the product of management, and machinery, and the organization of capital. Besides, they recognize that analysis of the wage system on the lines adopted by Marx is not necessary for the purposes of the case they desire to establish. They look more to the physical, moral and social results of an economic system, to the waste which the lack of proper organization involves. In the main it is agreed to distinguish three groups—those who actually accumulate and own capital, those who merely use it and pay for the use of it, and those who may be described as dependent on both the owners and users

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## The Wages of Labour

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for the opportunity to take part in the production of wealth. It is also acknowledged that the owners *may be people of comparatively small means, and many of them are in fact very often poorer than the users of their accumulation.* The terms on which capital is available for use in industry naturally affect the rate of wage remuneration offered. When money is plentiful and cheap it may be presumed that the needs of trustworthy people are met. Even then there are doubtless individual users who will find the terms onerous, particularly where the businesses in which they engage have an uphill task. The effect of dear money or restrictions on credit depends upon the form of undertaking which uses it. If it is of the nature of a trust, combine or monopoly the presumption is that it will have power to increase the price of its products, that it will have all the initial advantages of large scale organization and economy in management to which a heavier burden in payment of interest can be much better adjusted, and that a return upon the capital subscribed may be quickly available. In such circumstances, labour employed by the undertaking may hardly be conscious of any extra strain upon its finance, and there may be little or no increase of strife among those entitled to participate in the annual yield of the business.

On the other hand, the small scale business which is penalized by dear money may be driven to seek

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## Criticism of the Wages System

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cheap labour, and to tolerate inferior skill in order to reduce working costs. Finally, it may have to reduce its staff and so swell the ranks of the unemployed. Can the nation afford a *laissez-faire* attitude in the face of such controllable and preventable disorders?

Apart altogether from the question of remuneration there are social disadvantages. One of the unhappiest features of the post-war period has been the flotation of numerous companies in "luxury" trades, while the State, the local authorities and private individuals have found it difficult to get money for healthy and beneficent enterprises, such as housing, electrical power and improved transport facilities.

Cheaper money in this sphere, even if some form of compulsion had been necessary, would have been a sound investment for the community. Not only would the numbers of people employed have been much greater, but essential services would have been provided at a time when they were urgently required; we should, by so doing, have been laying the foundation for a wide development of commercial and business enterprise generally; and we should have done much to improve the efficiency of labour, both in its domestic environment and in the appliances available for its use, and thus have safeguarded remuneration by one of the healthiest steps that could be taken to that end. At a time of economic



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## The Wages of Labour

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crisis we proved ourselves incapable of putting first things first. Much of the war-time regulation had occasioned annoyance and was in effect in restraint of trade, but we fell back too quickly on the quasi-individualism which holds it safe and wise to leave *capital to find its most remunerative use*. In nine cases out of ten this was interpreted solely in the sense of monetary gain, whereas what was really at stake was the efficiency, health and happiness of the people. Anything in the nature of compulsory loan presents many difficulties. In many respects, however, the crisis following the war is greater than the financial crisis of the war itself, and it would be no great hardship for proprietors to accept, at all events for the time being, a little less for their money, if it were directed to objects really essential to rapid economic recovery. It would be at worst a mild form of taxation. And it would have the advantage of stopping waste at the source, and not after the luxury goods had been placed on the market to tempt purchasers whose resources should have been devoted to much more urgent and important things. The community as a whole is vitally concerned, and it must face this problem of economic reorganization. It would appear to point to a sound increase in the "revenue and stock" of every country, that is, sound in the sense of ministering most efficiently to popular comfort and efficiency. Adam Smith points out that it is not the actual greatness of national wealth but its

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## Criticism of the Wages System

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continual increase which occasions a rise in the wages of labour. Investments in luxury businesses may bring monetary profit to the investor by tempting others to wasteful extravagance and without producing anything of public advantage. The motive *of private gain unchecked has made it too difficult* for Dives to invest his wealth in the foundation of a "new and better world after the war."

Much of the most strenuous but by no means the most accurate criticism of the wages system has been offered by advocates of national guilds. Like other schools the guildsmen are themselves seriously divided in doctrine. Later in this book it will be indicated that its conclusion is that some form of guild is the next stage in economic progress, and it is all the more regrettable, therefore, that men and women who hold similar opinions should disfigure their case by statements which, in the light of present-day facts, can hardly be defended. It is fashionable, of course, to smile at political labour and at trade union leaders, and to say that in the long run their best efforts can only result in the perpetuation and refinement of wage-slavery, as it is called. The attack made upon them is often one which is really in the interests of direct action, and against political effort at large. In this attitude several advocates of national guilds have, in their reference to the wages system, been less than just. There are very few labour thinkers or workers who

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## The Wages of Labour

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are not well aware that there is nothing necessarily permanent in the present form of remuneration. And if there is any form of slavery to-day it might be worth while to remember that the "slaves" have political power in the franchise, that they themselves own millions of pounds worth of capital, that we have had fifty years of popular education, which at least provides a foundation for self-development, and that if freedom has not been won a considerable measure of responsibility for that must rest upon the shoulders of those who are still in bondage.

In what was understood to be an authoritative statement in the interests of national guilds, it was laid down first of all that wages were the price paid for labour power considered as a commodity. Let us ask whether anything will be gained to-day by emphasizing the commodity theory. In his examination of the nature of wages Professor Seligman remarked that labour as a commodity had four chief peculiarities. In the first place, commodities were produced for the sake of the services which they render, but the increased supply of human beings could hardly be attributed to any such consideration; secondly, a commodity once in existence continued to give its services unbidden, whereas labour might withdraw or refuse its service; thirdly, labour is perishable, while many commodities are durable; and fourthly, labour is inseparable from the labourer while the commodity may be separated from

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## Criticism of the Wages System

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## The Wages of Labour

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the erroneous assertion that the fabric has been raised exclusively by a section of the community narrowly described as engaged in labour rather than by the common effort of all who in any capacity make some kind of contribution to popular progress. The case rests also upon a definite assumption that the price paid for labour is based upon the cost of subsistence necessary to the maintenance of that labour power and its reproduction. This in turn is modified by the statement that the price will be varied by the quality, scarcity or organization of the labour power. Now, whatever the authors may have had in mind, this is merely a version of the iron law of wages, and we have only to turn to the admitted progress of the people in accumulated possessions and in conventional comforts to see that much more than mere subsistence and reproduction has been achieved. With the concurrent rise of wages and of population during the nineteenth century the minimum-of-subsistence theory of wages finally broke down. It is therefore unfortunate that in face of economic facts a section of guildsmen should deem it necessary to lay the foundations of their case by attacking the wages system with arguments which are obsolete.

What they have really in mind may be gathered from their own argument. They speak of organized labour undertaking to perform not only the function of supplying labour power but, with proper adaptation of its qualities, also the functions now allotted to rent,

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## Criticism of the Wages System

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interest and profits, or, as it may be put, what is contributed by the proprietors and users of capital. In this connexion, and especially at a time when the labour movement is emphasizing the catholic character of its appeal, the phrase "labour" can only be properly applied to the whole of the people of the country. It is obviously not the intention to exclude any class. But the people to-day, in ways inextricably mingled, are providing capital and using it as well as labouring to give themselves and others interest upon it. The suggestion is that the way out of this chaos, if it may be so described, is the abolition of the wage system. But surely such a contention indicates confusion of thought. What is really wanted, as the authors themselves appear to recognize, is reorganization of economic and other resources, and it can hardly be contended that that would be achieved or facilitated by the abolition of a system of remuneration. The confusion arises from the habit of thinking in terms of narrow wages instead of in terms of broader incomings. Even if the guild or any other system were complete to-day there would still be family and individual incomings, still some proportionate recognition of human need and human service, and there is nothing to be gained by artificial distinctions or verbal quibbling. It is quite true that both employers and labour organizations have thought too much of money wages, and it is frankly recognized that large numbers of

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## The Wages of Labour

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people in all ranks and grades of effort are satisfied when they obtain an advance in remuneration, and that that satisfaction, in reality temporary and often lacking foundation in fact of improvement, unfits them for examination of more important and more permanent issues. But let money wages vanish. Human need in infinite variety, of course, remains, and under a reorganized system it must be provided with the commodities and the services which it requires. With the most complete decentralization we can imagine, would the time ever come when some voucher of entitlement would be unnecessary? Probably not. And in practice it would not be essentially different from the Treasury note or metallic coin. There would appear to be no point in evading the problem of income, in the sense of some form of remuneration.

What is apparently intended is a firm suggestion that the wage system in any form is a standing barrier which prevents the establishment of a better economic order. The people are deluded by mere money. Each nominal increase, whatever the real position may be, saps their interest in constructive alternative. Many of the trade unions, it is argued, think exclusively of remuneration. It is becoming the leading issue in professional employment as well; clergymen and teachers have joined the ranks of the disaffected. No doubt there is much in current controversy to lend colour to such assertions. A little more examination,

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## Criticism of the Wages System

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however, would appear to indicate that the people are better than they are commonly represented. The heavy depreciation of British currency during the war, the manufacture of credit, the light which has been thrown upon objectionable banking and financial transactions have compelled new consideration of the relation of nominal to real wages or income. We seemed as wealthy as ever in paper and in new silver coins until a little reflection convinced us that millions were losing in purchasing power, the old age pensioners most, then the people with very small fixed incomes, and the classes depending upon the yield of securities which fell steadily as war proceeded, and so on through the grades of society which had not a convenient remedy in powerful organization to maintain a standard of life. The successes of the organized produced fresh forms of inequality. It was perhaps because of the effective pressure which this change exerted that the unskilled and semi-skilled came to appreciate the value of the machine, and the war accretion of membership in trade unions which catered specially for them was one of the most remarkable features of the industrial history of the conflict.

The change led many people to look to the broad outline of the history of real and nominal wage income in this country. Between 1790 and 1810 nominal wages rose rapidly, but, as prices were rising even more rapidly, there was a slow fall in real wages.



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## The Wages of Labour

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In the next twenty years nominal wages fell; the fall in prices was considerable, and there was a gradual rise in real wages, an experience which was substantially repeated in the period between 1830 and 1852. From that point money wages rose rapidly for twenty years, but, as Mr. Bowley has shown, since 1873 they have moved forward much less consistently. Between 1874 and 1897 there was a fall in prices, and although the rise in nominal wages was not considerable there was undeniably a gain in real wages. Since 1897 there has been a steady rise in prices, and while it is suggested that, until the beginning of the present century the rise in wages kept pace, it is beyond dispute that since that time real wages have fallen. It is too early yet to estimate the consequences of the war period, and all that can be said with safety now is that only for certain privileged classes was the gain in remuneration during the war more than sufficient to meet even the largest advance in the cost of living; for the bulk of the people there was some loss in real wages.

It may seem difficult to reconcile that statement with the so-called prosperity of the workers during the war. That the prosperity had many misleading features will hardly be denied. Many people judged everything by the standards attained in munition work. Others forgot that three million women at least entered industry, that the payment of separation allowances, however inadequate, meant a stable

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## Criticism, of the Wages System

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as opposed to what had often been, before enlistment, a fluctuating contribution, that innumerable young people obtained employment at approximately adult rates, and that the family or household aggregate or basis came to the rescue against even a considerable advance in the prices of the necessities and minor comforts of life. Now that the war has passed, and we are in the midst of a campaign to reduce wages as essential to a lower cost of production enabling us to compete with other countries, we are witnessing much of the hardship of the reversed process. Credit is restricted. Unemployment has assumed considerable dimensions. Many of the artificial conditions of war, continued for at least two years after the signing of the armistice, are at last yielding to attack. But it does not follow that even in the midst of what appears to be a general depression there is not an opportunity for gain in real wages.

Professor Seligman directs attention to an interesting table dealing with the movement of nominal and real wages in the United States between 1866 and 1903. The table shows that in the period under review real wages rose more than 100 per cent. in industry and more than 70 per cent. in agriculture. Notwithstanding the practical exhaustion of the free lands and the rise in land rents, labour enjoyed a progressively "greater command over the conveniences of life." While this table was selected as one which gave the most accurate and conserva-

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## The Wages of Labour

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## Criticism of the Wages System

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tions are so much in excess of Continental and other competitors that we are losing contracts in the first years of post-war reconstruction, but the blame for that does not lie exclusively, as is commonly urged, with the price paid for labour. Some of the competitors who have improved upon our quotations have made even dearer labour cheap by means of organization, while, partly because of the national neglect of research and partly because of internecine economic strife, we have struggled on with old methods. There could be hardly anything more lamentable than that a movement for general deflation should resolve itself into a conflict between capital and labour, when by the adoption of a more statesmanlike policy there is every reason to believe that the British masses might achieve a real as opposed to a nominal gain. Such real gain is, admittedly, quite consistent with a fall in nominal income, although it is not conceded that even the latter is necessary in the case of many industries capable of readily adopting methods which have fully proved the economy of a liberal wage.

On the general problem of real and nominal wages it cannot be claimed that there is widespread and accurate knowledge among the masses of the people. But, if the terms are not familiar, in a popular way the facts are, and it is the growing appreciation of the bondage that this fluctuation and conflict involve that is in many respects the genuine attack upon the wages system to-day. That, however, is something

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## The Wages of Labour

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different from what the advocates of national guilds, or at all events some of them, have suggested. After leading considerable argument in favour of the abolition of the wages system they reached the somewhat remarkable conclusion that in the period of transition the first step would be the assumption of partnership with the employers. At a time when we are struggling with the initial application of Whitleyism that cannot be regarded as sensational. They then proposed the appropriation of at least one-half of the annual profits, which for the moment we shall regard as merely a more rapid method of achieving a readjustment of remuneration among the proprietors and users of capital and the various classes of labour employed. The benefits to be derived were security of tenure in employment for the members of the guild, with which no one will quarrel; the use of a portion of the appropriated funds for the purposes of defence in the time of transition and for a possible general strike if capital decided to organize for the fray; and finally, subject to the maintenance of the fighting and development funds, an annual distribution among the guild membership. And thus by a circuitous route we arrive again at income, or remuneration.

There must always be some kind of contract between the people as a whole, in whatever way they may be represented, and those who give their services in any capacity. If that is so, the problem is essentially one of distribution. It points to the progressive

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## Criticism of the Wages System

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reorganization and reconstruction of our economic system until, under the best conditions of occupation, there is secure and steady improvement in the real incomings of all who are prepared to make useful contribution in the promotion of the general good. We therefore reach the conclusion that it is by the better use of the devices now to be reviewed that we may hope to attain most rapidly the healthier organization that guildsmen and many others desire. The method will have the merit of avoiding the catastrophic and unnatural crisis in transition which some of them regard as inevitable.

## CHAPTER V

### MINIMUM RATE AND STANDARD WAGE

**F**OR the purposes of this discussion minimum rate and standard wage may be regarded as substantially one problem. Minimum rates are mostly attributed to sweated or badly organized industries, or to occupations in which many women and young persons are engaged, while standard wages are associated in popular discussion with the efforts of the trade unions in ensuring a certain scale of remuneration for their members. This is really the point at issue, the provision of a recognized rate, below which wages shall not fall. History records considerable effort of this character.

There was about the middle of the fourteenth century much controversy regarding the fixing of wages by the justices of the peace, excessive prices alleged to have been charged by craftsmen, the levy of fines for paying excessive wages, and the labour legislation of the reign of Richard II which was elaborate in the definition of duties and remuneration. In the sixteenth century there was municipal regulation of wages in the larger English towns. In the case of Coventry in 1524, for example, it was enacted that the weavers of the city should have for the weaving of every cloth of certain quality not less than

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## Minimum Rate and Standard Wage

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five shillings, and every clothier within the city was enjoined to pay, for the walking of every cloth of green wool or middle work 3s. 4d., for every cloth of fine wool such sum as the clothier and walker could agree, and the clothier was further instructed to pay therefor in ready money and not in wares. The Act of Elizabeth, in 1563, dealing with artificers, labourers and apprentices was exceedingly comprehensive, not merely providing for the regular declaration of wages by the justices of the peace, but also laying down a complete code governing the conduct of employers and servants. No doubt justices were liable to be fined if they were absent from the sessions which fixed wages, and there were also penalties for employers who gave wages higher than the rate fixed or without due cause dismissed their servants, but the legislation fell with far greater severity upon the worker. The employer usually had the option of a fine; the worker was tolerably certain of imprisonment. In later centuries there were, in addition to the wages assessments of the justices, the proposals of the agricultural labourers in 1795 in favour of a sliding scale, the debate on Whitbread's minimum wage bill in the same year, the various petitions for labour regulation, the early Factory Acts, and the scheme for a wages-board for handloom weavers in 1834.

Such a summary, however inadequate, inevitably prompts the observation that it is in many ways remarkable that after centuries of experience in an effort



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## The Wages of Labour

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to provide a minimum wage the later part of the nineteenth century should have found such a comparatively large amount of sweating in various spheres of British industry. After the failure of the grandiose schemes for the general federation of labour, and the adoption of the policy of sectional or craft organization, leading trades, on slow and cautious lines, won a measure of protection. In this process the interests of many in the minor professional classes, the semi-skilled and the unskilled, and especially women and young people, were often neglected. When the trade boards were applied to chain-making and tailoring and other seriously underpaid callings they found conditions which were highly discreditable on any view of economic and social progress.

The scope of the Trade Boards Act of 1909 was comparatively limited. The schedule specifies only ready-made and wholesale bespoke tailoring and any other branch of tailoring in which the Board of Trade, now for this purpose the Ministry of Labour, considers that the system of manufacture is generally similar to that prevailing in the wholesale trade; the making of boxes or parts thereof of paper, cardboard, chip of similar material; machine-made lace and net finishing and mending or darning operations of lace curtain finishing; and hammered and dollfed or tom-mied chain-making. In course of time the generally beneficial effects of the trade boards were so pronounced that it was felt desirable to give them a wider

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## Minimum Rate and Standard Wage

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application, and this was accomplished in the Act of 1918, which added considerably to the number of industries in which they might be adopted, and provided for much elasticity in their application to pursuits in which it was felt that they supplied the machinery most likely to be of service. Broadly, they have been adopted where the organization of either capital or labour is loose or weak, sometimes in cases where a joint industrial council has been found impracticable or has broken down, and in other cases where the trade board appeared to be the only device which had real hope of success.

The experience which has been gained in the working of the trade boards is important in considering the standard rate, economic and social stability, and the general attitude towards a minimum on the part of employers, employed, and the community at large. The central duty of the trade board is to fix minimum rates of wages for timework in the industry to which it is applied, and it may also fix general minimum rates of wages for piecework for these trades. The rates of wages may be fixed so as to apply universally to the trade, or so as to apply to any special process in the work of the trade or to any special class of workers in the trade, or to any special area. The Act also gives power to the board to cancel or vary any minimum time rate or general minimum piece rate which is fixed under the statute, and there is the usual provision for notice and for the consideration of repre-

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## The Wages of Labour

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sentations which may be made regarding the rates by anyone interested. This legislation has been sharply criticized by people who object to all forms of labour organization. It is opposed by others who, despite the striking growth of trusts and combines, still argue as if conditions of perfectly free and purely individualistic competition were again possible in Great Britain. But by the great majority of employers and workers the trade board is regarded as resting upon an economic foundation which, in two important points, cannot be shaken. There is first of all the doctrine of the economy of the good wage, and, secondly, the economic and social danger and loss which are the inevitable consequences of the existence of a sweated class.

To Mr. R. H. Tawney and the Ratan Tata Foundation we are indebted, *inter alia*, for a valuable monograph on the establishment and results of a minimum rate in the chain-making industry. Because of its concentration in the Cradley Heath area it lent itself easily to investigation. At the time of the inquiry the industry had little to fear from foreign competition. Imported chain was used to only a small extent in Great Britain, and according to the report of the Census of Production the value of the anchors and chains produced in 1907 was £923,000, of which at least 65 per cent. was exported in the same year. In certain foreign and colonial markets Cradley Heath had at that time a virtual monopoly. Mr. Tawney

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## Minimum Rate and Standard Wage

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remarked that, if in the past the workers engaged in the industry had been reduced to accept wages which were low even for a low wage district, the explanation was certainly not to be found in the competition of foreign countries or of other parts of Great Britain, but in the organization and character of the chain-making industry in Cradley Heath itself. The results of previous inquiries showed that with the rapid introduction of machinery in the industry between 1870 and 1890 the employment of women had considerably increased, the abuses of truck were less common, the concentration of the chain-making industry was more marked, but the industrial expansion which promised higher wages, shorter hours and better working conditions had not produced such results where chain-making was concerned. In the majority of cases the piecework prices both for hand-hammered chain, the women's section of the trade, and for dollied or tommied chain, the men's section, were lower in 1910 than those fixed in 1889. Out of twenty-five separate sizes and qualities of hand-hammered chain the prices of seventeen had fallen and of six had risen, while two remained unchanged. With one exception all the advances had taken place on chain of extra quality. Although an exact comparison of the earnings in 1889 and in 1910 was not possible, it was shown that there was no reason to believe that they were higher at the later date. And as prices of foodstuffs and the general necessities of life had been rising since 1896,

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## The Wages of Labour

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there must have been in process a progressive degradation of an originally sweated section of the industrial community.

Trade boards were opposed for reasons similar to those which are advanced to-day. Although in the illustration which has been chosen foreign competition was not specifically pleaded, it was suggested that export trade would be injured by higher prices, contracts would fall off, unemployment would increase, and the stability of the industry would be undermined. On this point the conclusions which Mr. Tawney reached are important. It was shown that it was possible to fix and enforce minimum rates for a highly technical industry, and to do so with the approval of all the main classes of persons engaged in the trade. Secondly, the minimum rates checked the fluctuations in piece rates and earnings which formerly took place, and in the opinion of employers and workers tended to reduce unevenness in production. Thirdly, there was a strong feeling that but for the intervention of the trade board wages would not have risen. Fourthly, the effect of the first rulings of the board was to bring about increases which varied from 19 to 67 per cent., an advance which was reflected in a rise in the general standard of life in the district. Other conclusions were that the increase in piece rates had not caused unemployment, that they had been met partly by an advance in the price paid for chain by the purchaser, partly by an improvement

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## Minimum Rate and Standard Wage

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in the quality of the chain made, partly by a reduction in the profits of the shop-owner or middleman, and partly, but only to a small extent, by the introduction of electric welding machinery. These facts are sufficient to show that while the social advantages of a minimum rate are undeniable, the effect on the efficiency of industry is healthy, and to its credit must be placed at least a part of that industrial improvement which might never have come without this form of healthy compulsion.

In spite of such results, having all the appearance of permanent validity, it is frequently alleged that in Great Britain and in other parts of the world there is a marked decline of belief in the value of the minimum wage. Vague references are made to Australian experience. It is suggested that at best the principle can have only very limited application and may be abandoned. General assertion is notoriously difficult to refute, but, in view of the importance of the minimum wage at a time when economic standards on international lines are likely to be established under the League of Nations, it may be of value to notice that in practically every part of the world to-day there is a campaign in favour of a minimum rate.

According to the issue of *Labour Overseas*—one of the most valuable of the official publications of the Ministry of Labour—for the quarter ended June, 1920, a Commission on the Codification of the Labour Laws of Canada recommended that the minimum

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## The Wages of Labour

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wage principle should be adopted nationally. In Nova Scotia, Ontario and Saskatchewan, Bills providing for minimum wages have been either under consideration or have been passed. As a rule, they provide for boards of five members who, when they find that the scale of wages for any class of work within the scope of the Act is inadequate, may summon conferences between representatives of employers and employees, and proceed to the establishment of a minimum rate of wages for the occupation concerned. The jurisdiction of the boards has been extended to certain indifferently organized classes, including women and girls employed in restaurants and hotels, and power has also been conferred on the boards to determine the proportion of apprentices that may be employed in any shop or factory. It will be observed that while the procedure is substantially that adopted in Great Britain, the boards deal with questions which in many cases are left to other forms of organization in this country. Apart from the field which is covered by minimum wage boards there is, practically throughout the whole range of Canadian industrial effort, a demand for minimum rates of remuneration. The problems which are raised are necessarily similar to the problems with which we are confronted in Great Britain, but, as frequently happens in the Colonies, the results are at times somewhat more dramatic. In London, Ontario, for example, tramwaymen struck work in order to enforce their demand for an increase

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## Minimum Rate and Standard Wage

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in wages from 39 and 43 cents to 65 cents an hour. The tramway company replied that it could not increase wages without raising fares, and that the only solution would be for the municipal authority to take over the system. In this crisis the Ontario Railway Board took over the service and the men agreed to resume work on the understanding that after the operating charges had been paid the surplus revenue, if any, should be divided among the employees. It would be difficult to find a solution on such lines in Great Britain, and it is by no means certain that, especially when the interests of the community are remembered, the solution is one which the better minds in British labour would endorse. Again, it is noteworthy that, while district rates might normally be expected in territory so vast as that of Canada, with certain hindrances to the mobility of labour in the absence of adequate means of communication, there is already a substantial movement in favour of national minima, like that demanded by the engineers for one dollar per hour and a forty-four hours' week for machinists throughout the Dominion. In Canada and in South Africa there would appear to be growing opposition on the part of labour to the disintegrating effects of varying district rates. And further, the Canadian Government has given at least some recognition to the family basis of remuneration in the application of one of its monthly bonuses to civil servants within recent times which sought to distin-



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## The Wages of Labour

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guish in the matter of allowance between persons of different ages, giving more to those who had dependants to maintain than to those who had not.

In the ten years since 1910 the cost of food in the Union of South Africa has more than doubled, with a corresponding demand for the steady improvement of remuneration, achieved in some cases by arbitration, in some by the power of labour organization, as in the case of engineers, shop assistants and others, and in the case of tailors in several districts through the agency of wage boards. In Australia and New Zealand arbitration courts have fixed basic rates of wages for many grades of workers, with a cost of living bonus, adjustable on the principle of sliding scale in keeping with the index numbers of Government statisticians. In view of the controversy over grades of labour in this country, and the undoubted gain of the semi-skilled and unskilled workers compared with skilled men and women during the war, it may be observed that the New Zealand Arbitration Court in 1919 and 1920 differentiated between the skilled, semi-skilled and unskilled, and issued an award providing for three separate hourly rates of remuneration, giving the semi-skilled two or three pence less per hour than the skilled, with a similar difference between the semi-skilled and the unskilled. In Australasia movements for shorter hours, especially in the constructional trades, failed in 1920 largely because of the effective organization of the employers,

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## Minimum Rate and Standard Wage

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who warned the weaker or more timid firms that if they did not stand fast they would be deprived of their supplies of material, a form of pressure which they could hardly ignore. Similar action was taken by the Steel Corporations in support of metal trades employers on the Pacific coast of the United States. It is well known that in many of the new countries labour has gained occasionally not merely by shortage but also because of a willingness on the part of employers to offer more than basic rates in contracts which held out the hope of substantial return, if not of monopoly, in the areas in which they were rapidly overtaken. The control of materials appears, therefore, as an important factor in what we should probably describe here as jumping the district or the national rate. Even the improved allowances which politicians sometimes secure are not without influence, for the miners at the Collie coalfield in Western Australia in 1920 demanded a 60 per cent. increase in wages because of the increased cost of living and because the Federal politicians had increased their own salaries from £600 to £1,000 a year.

If for the moment a reduction in the number of working hours is regarded as an improvement in the incomings of labour, as distinguished from the purely monetary return, some of the recent industrial investigations of the United States of America will be found to yield interesting conclusions. The National Industrial Conference Board, an organization of em-

## The Wages of Labour

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ployers, after an inquiry covering nearly two thousand establishments in the cotton, woollen, silk, boot and shoe and metal trades, concluded, from the standpoint of production, that no single schedule of hours was equally adaptable for all industries, and that as a rule, with shorter hours, production could be maintained only where work was done by hand rather than by machinery. In the cotton factories in the north and in the woollen industry the reduction of hours to 56 and 54 a week respectively resulted in a loss of output, but in the silk industry and in the boot and shoe trade production was maintained when hours were reduced to less than 54 a week. In the metal industry it was found that in many establishments reduction to a 50 or 48 hours' week had not resulted in any serious loss, but it was thought that a general reduction could not be effected without loss of output. It should be remembered that these conclusions were reached in industrial circumstances where organization and the adoption of scientific management are much more complete than they are in Great Britain. It is often suggested that, in the establishment of a minimum rate, labour would be better advised to think less of merely increased monetary return and concentrate upon the demand for a reduced number of working hours at the same rate of wages. In this connexion it is clear that unless output is maintained, or improved, as a result of the beneficial change in working conditions, there cannot be any gain in real

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## Minimum Rate and Standard Wage

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income. Similar investigation in Great Britain has indicated almost precisely the same conclusions, namely, that in response to the improvement in working hours there are industries in which output increases, some in which it remains stationary, and others in which it falls. Generally speaking, the response in improvement of output is slow; the explanation may be that insufficient attention has been paid to technical skill in the industry, or to the latest developments in machinery, or, as far as the workers are concerned, to the healthy use of the increased leisure.

An investigation conducted by the Federal Bureau of Labour Statistics into the wages of more than 12,000 women workers in New York showed that only in the ladies' garment industry, where in point of fact the workers were highly organized, was there an average living wage. It amounted to slightly more than twenty-one dollars weekly. Among other weekly averages confectionery workers received less than ten dollars, cigar workers a little less and white paper box-makers a little more than eleven dollars, while the State Industrial Commission reported that 68 per cent. of the women, both in factories and in mercantile establishments, received less than fourteen dollars a week. About the same time, basing their calculations on official statistics, the Consumers' League fixed 16.13 dollars weekly as a living wage for a woman in New York State in 1919. The Minimum Wage Conference recommended to the

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## The Wages of Labour

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Washington State Industrial Welfare Commission the establishment of a minimum wage of eighteen dollars a week for all women over eighteen years of age in any manufacturing industry, with a further recommendation that work should not exceed six days a week, except in case of perishable foodstuffs, or five hours a day without rest interval. A similar investigation in the State of Texas showed that the average wage for women and minors in mercantile establishments, telephone exchanges, factories and laundries was twelve dollars a week. In the case of women workers and the indifferently organized, therefore, it is beyond doubt that the minimum wage campaign has ample ground to cover, even in the highly organized and nominally progressive countries, before it can be suggested that there is world-wide recognition of a genuine subsistence rate.

Again, the share of labour in the gains accruing from recent rises in prices is often disproportionately small. In the important case of unbleached cotton, whereas between 1910 and 1920 factory profits increased by 748 per cent., the increase in labour cost was only 115 per cent.; the labour cost of canning corn increased 22 per cent. between 1916 and 1917, while in the same period the profit of the canners increased 256 per cent.; and Mr. John Williams, controller of the currency and formerly director of finances of railroad administration, is reported to have declared that in 1918 the United States Steel

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## Minimum Rate and Standard Wage

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Corporation could have doubled the wages of all its employees and still have earned 7 per cent. on its common stock. No doubt these facts reflect abnormal war experience. But in the main they indicate that even in favourable industrial conditions—and it is mainly because of this consideration that statistics from the United States have been chosen—there are large numbers of people who for all practical purposes may still be regarded as sweated; that unfortunately, as many of them are women, future generations are penalized and grave social consequences immediately suggested; and, further, that there can be little hope of labour's acceptance of an industrial system which, especially in times of crisis, and when the note of general sacrifice is emphasized, confers such unfair advantage on the proprietors or users of capital to the detriment of hundreds of thousands of their fellow citizens.

## CHAPTER VI

### MINIMUM RATE AND STANDARD WAGE—*continued*

**I**N the preceding chapter it was suggested that for the purposes of this argument no unnecessary distinction would be drawn between the minimum wage now usually associated with trade boards and sweated industries and the standard rate of more fully organized trades. Any distinction is, in point of fact, unreal. The case for the standard rate, which Mr. and Mrs. Webb summarized in their "Industrial Democracy" a quarter of a century ago, still holds good. They pointed out that it was only a minimum, never a maximum, and that in many industries there were employers who, with the cognisance of the trade unions, paid more than the standard rate. As a rule labour welcomes such a step, mainly because it is then able to quote the remuneration given by such firms when making efforts to raise others to a similar level. It may be recalled, however, that towards the end of last century sacrifices were made by certain workers in highly-paid districts in order to secure a general minimum which would protect their less favoured brethren elsewhere. In order to secure a satisfactory piece-work list, which meant for the majority of their members an increase in remuneration, cotton-weavers in several areas consented to reduc-

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## Minimum Rate and Standard Wage

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tion of wages. No doubt, as in the case of the flint glass makers, there were temporary protests, but when the workmen understood the value of uniformity of rate they were practically always willing to make sacrifices in the interests of their membership as a whole.

Regarding minimum wage and standard rate for the time being as synonymous terms it is comparatively easy to summarize the contention of current criticism and submit it to the test of experience. Trade boards, as we have seen, are very young. That the results of their work have been beneficial is not seriously disputed, but they are already the object of concerted attack in both productive and distributive trades. The attack usually suggests that they are inapplicable to the conditions of the industry, although these conditions must have been carefully considered by both sides when they were established. In the second place, it is generally contended that in certain industries they have fixed a minimum rate which makes it impossible for employers to compete successfully with other nations. Towards the end of 1920 French, Belgian and British flax-spinners arrived at agreement on a minimum price for their yarn, the object being to stabilize the market. At the same time it was indicated that there was a great scarcity of flax, and that to meet the needs of the coming year perhaps only one-third of the normal supply would be available. A little later



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## The Wages of Labour

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French, Belgian, British and Irish flax producers formed a federation to fix minimum prices per ton for their flax, and at that date it was suggested that reduced output was necessary. In January, 1921, the chairman of one of the leading firms of Scottish flax spinners stated that, if they were going to compete successfully with France, Belgium, Japan, Germany and Austria, the cost of production must come down, and that could only be done by lowering wages. [On this point it must be observed that with some of the so-called competitors trade agreement has been reached, and at the present time the competition of the Central Powers of Europe can hardly be considered a serious factor; indeed, for the sake of common economic recovery, it is desirable that it should be a serious factor at the earliest possible moment.] The flax spinners thereupon demanded the abolition of the trade board which had been applied to their industry. Now the terms of the Acts governing the constitution and the work of these boards expressly provide for the variation of minimum rates. If the employers or the employed are dissatisfied, if either of them feel that the rates are artificially high or low, they have a remedy within the limits of the kind of industrial constitution under which they work. Instead of seeking that remedy, or accepting the results of re-investigation, the employers proposed that the whole machinery should be scrapped. The real reason for recent attacks on trade boards is that

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## Minimum Rate and Standard Wage

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the trade boards have made for a measure of industrial organization among the workers which probably would not have been achieved on other lines. In many phases of the Scottish textile industry in particular, organization has been remarkably slow. For years the employers enjoyed large profits on rates of remuneration which are now admitted to have been thoroughly inadequate. They had little experience of collective bargaining, and even now they have not become accustomed to it. The abolition of the trade board is to many of them a first step back to old times, with the relative weakness of the employees.

The other arguments will hardly bear examination. In effect the alleged foreign competition does not exist, and even if it did exist, there are important considerations which go far to modify its effects on wage levels in the industries which are now under review. There is, in the first place, the development of international agreement among business concerns; the agreement among British and Continental producers of flax is a case in point. Such agreements must always be made with wage-levels more or less fully understood, and they are of the nature of that international trust, combine or syndicate activity which is one of the pronounced features of present-day economic organization. The presumption is that they will make for economy, for enhanced profit, if not for virtual monopoly. When the manufacturers themselves have the

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## The Wages of Labour

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power to limit international output, the plea of foreign competition in such industries is absurd. And finally, it is noteworthy that several firms which have been loudest in the demand for the abolition of the wages boards and the minimum rates they have established, have declared dividends of 20 and 25 per cent., free of tax, in the last two years. Had the business been conducted with more regard to public welfare and social well-being, less would have been distributed immediately to the shareholders, something would have been reserved for the period in which the real test will come, and the improved remuneration of a formerly under-paid class would have been maintained, if only for the purpose of providing more efficient labour and a better standard of service. This appears to be one of the numerous cases in which business men show much less intelligence than the rank and file of their workers, and reminds us that Great Britain is exposed to just as great a danger from the mistaken views of employers as it is from such mischievous economic and social doctrine as may find acceptance among sections of the workpeople.

Further, if the mere working conditions, as apart from the remuneration, of the badly organized or more poorly paid industries of the world are considered, it can hardly be disputed that in due course the whole position should be altered by the growth of a strong industrial code under the economic side of the League of Nations. The very moderate Wash-

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## Minimum Rate and Standard Wage

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ington conventions are in process of ratification in practically all civilized countries, and they provide a basis in hours, nightwork, and the employment of women and young persons, on which all countries must work. In pre-war times the favourite argument against better remuneration for the depressed was the fact that the wages paid to them were rather better than the wages which prevailed beyond these shores, and that if they were increased the industry would collapse before foreign competition, which had the marked advantage of a much lower cost of production. We have already seen that in practically every country the demand for minimum rates is incessant, and there are some, regarded as the industrial competitors of Great Britain, in which the requests are much more extreme than they have ever been here. That fact, together with the establishment of an industrial code in general conditions, which is to be one of the first fruits of the League of Nations, should be sufficient for such employers as still hold the mistaken view that anything can be permanently gained from the existence of inefficient and badly remunerated service.

Again, during the past quarter of a century the general circumstances which made for the maintenance and development of collective bargaining have become remarkably stronger. This is an age of federated capital and federated labour. The growth of trusts, syndicates, combines, price associations and rings of all kinds among proprietors of capital and

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## The Wages of Labour

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employers in general has had its counterpart in the growth of the trade unions on lines of sectional organization, to be replaced in turn by one large amalgamation after another. Every week records not one but many labour fusions, mainly because the trade unions have appreciated the ordinary economic truth that in competition for members there is waste of resources, overlapping, weakness in bargaining power, and internal dissension which has often brought their cause to defeat and despair.

At the very heart of collective bargaining there is the trade union insistence on a standard rate. The objections commonly urged are familiar. The employer argues that he is not opposed to a minimum rate for good work or service, but he objects to paying the same rate without reference to variety in skill, knowledge, industry and character. It is, however, no part of the purpose of trade unionism to secure an equality of weekly earnings. It merely stipulates that for work actually performed there shall be a standard rate of payment. Examination of the wages sheets of a large part of British industry will show that this standard rate is consistent with the greatest differences in the aggregate amount of weekly earnings. In point of fact, where indifferent character is concerned the remedy is usually clear and immediate. Workpeople of bad habits are mostly irregular time-keepers; for them the weekly income is often habitually low. Even the same weekly wage is not the ruthlessly uniform

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## Minimum Rate and Standard Wage

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reward that is frequently described. Time wages of any kind involve a certain standard of skill and a certain amount of work, and if neither is forthcoming it is tolerably certain that, except in times of grave shortage of labour, the worker will either lose his situation or be transferred to some inferior task. Even if it is admitted that payment on time-work basis tends to greater uniformity of weekly or other earnings than remuneration on the basis of piece-work, it must be remembered that the trade unions which insist on piece-work, and those which recognize in various departments both time-work and piece-work, have a membership far exceeding that of those which insist on time-work alone. In the less highly organized trades, where complaint of inferior service on weekly wages of a uniform character is most frequently made, alternative labour is generally available, and in such cases there must be a keen desire to keep a situation because of the uncertainty of getting another. On this point the deficiency is usually one of training, education, or general ability, and there are unfortunately large numbers to which that criticism may with justice be applied. That they find employment is due to the great quantity of routine work, automatic and monotonous in character, which, notwithstanding all the improvements in commercial and industrial processes, is still abundant in this country.

Even if all allowance is made for a cost of living

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## The Wages of Labour

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employers in general has had its counterpart in the growth of the trade unions on lines of sectional organization, to be replaced in turn by one large amalgamation after another. Every week records not one but many labour fusions, mainly because the trade unions have appreciated the ordinary economic truth that in competition for members there is waste of resources, overlapping, weakness in bargaining power, and internal dissension which has often brought their cause to defeat and despair.

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## Minimum Rate and Standard Wage

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Sir Josiah Stamp proceeded to state that the average person in 1914 had twice the money income of the corresponding person in 1801, and each pound had twice the purchasing power, so that practically all classes were four times as well off in real comforts and commodities, and the standard of living was in 1914 four times as good as it was one hundred and twenty years ago. He pointed out, however, that the general conception of a living wage was to a considerable extent not absolute at all, but relative to the particular age in which we lived.

The standard of the community has risen; the position of the wage-earning class has risen with it but not in it. Relatively to others labour has made no appreciable advance in material well-being. The record of income tax and super-tax, in the latter case since 1909, shows that large fortunes are tending to increase at a greater rate than general wealth. When the super-tax was instituted there were approximately 11,000 payers. When the recommendations of the Royal Commission on the Income Tax, which sat in 1919, were adopted, it was considered that on the lower limits of income laid down there would soon be 80,000 super-tax payers. The increase in numbers was certainly swollen by the introduction of the lower limit, but apart from that there has been a steady increase in the numbers from the time of the first application of this tax. At the same time there has been much criticism by labour



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## The Wages of Labour

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of the fact that of the total values created in industry probably 30 to 35 per cent. went to employers, lenders of capital and other people, who were not wage or salary earners engaged in production. One-third of the capital wealth of the country is held by 36,000 large owners, and another third by 360,000 minor plutocrats.

At the end of a century of remarkable material output the position in summary is that for all the people, at least up to the time of the outbreak of war, there has been increase in nominal and real income; that a living wage varies from period to period, but has long remained relatively stationary; that one-third of the total values created in industry goes to a very small section more or less remotely engaged in it; that the numbers of very wealthy people are increasing; and that one-eleventh of the total population holds two-thirds of the whole capital wealth of this country.

Labour is very far from suggesting that some immediate redistribution would redress the balance and provide a higher standard of life than is now enjoyed. It quite recognizes that only by increase in the total volume of wealth can any important general improvement be attained, but it points out that last century showed a striking increase in total volume side by side with manifest inequity in distribution. Accordingly, the broad policy of intelligent labour is to do everything possible to increase the total volume, but

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## Minimum Rate and Standard Wage

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at the same time to insist upon a definite attempt to solve the difficulties of distribution. To this end a generous standard rate is popularly regarded as an essential step, the theory being that the proportion of revenue flowing to the owners and users of capital is too great, and that flowing to the masses of the people too small. And it is further contended that if systems of payment by results are introduced they should not be primarily designed to raise the level of profits accruing to the proprietors or users of the capital.

On the question of allocation Mr. W. T. Layton has shown that with the expansion of production and the rapid increase of foreign trade after 1850 profits rose quickly, and though there was a rapid accumulation of capital, both the rate of interest and wages rose rapidly also. Capital and labour shared in the prosperity, but statistics suggested that the former gained more than the latter. After 1873 the accumulation of capital was such that the rate of interest fell, British trade began to feel the effects of foreign competition, and as prices became lower and there was a slow increase in money wages, real wages rapidly increased. But since 1896 he thought that the position as between capital and labour had been reversed. No doubt great improvements were made in the organization and methods of industry; profits and the rate of interest rose rapidly; but for a variety of reasons, one of the most interesting of which was the fact that

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## The Wages of Labour

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the high birth-rate in the early 'seventies had given a much larger number of men and women now in the prime of their working life, wages did not make corresponding progress until we were practically in the midst of the European War. There are thus marked periods in which labour gains or loses, if "labour" may be restricted for the moment to the wage-earning classes.

Under present conditions of conflict in remuneration it is unfortunately almost impossible to secure proper attention for the facts in the problem of allocation. Excluding gain from monopolies, and automatic income not due to any form of service to industry or commerce, both of which require drastic treatment in any healthy State, and regarding profit as more narrowly the share of the product of industry received by the person or persons who undertake the direction and organization of business, it is plain that in many cases what remains for their free use is very often quite inadequate remuneration. That is true of innumerable small employers. They must recognize standard rates, but the general scope of their undertakings is such that they cannot be soundly economic; they have perhaps only a limited remedy in the prices they charge, and they habitually accept less than a fair measure of reward for the risk and the responsibility they carry. Such facts suggest that there can be no substantial peace in British wage settlements until there is a much greater supply of

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## Minimum Rate and Standard Wage

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accurate information regarding the success or failure of business undertakings than exists at the present day. Employers argue that wages are too high; workmen retort by suggesting profits which, may or may not exist.

According to the *Economist* some years ago, industrial companies, with a total capital of £1,000,000,000, then about a quarter of the industrial capital of the country, distributed between 1909 and 1913 an average annual dividend on preference capital ranging from 4.3 per cent. to 5.1 per cent., and a dividend on ordinary capital ranging from 6.3 per cent. to 10.2 per cent. But it is practically impossible to discover what profits are. Private businesses publish no figures. In public companies the information is notoriously misleading, because of such factors as watered capital, the influence of secret reserves, and the policy pursued in providing for depreciation. The cost of such manipulation is very likely to fall upon the consumers. In any event the important point is that wages can hardly be scientific or well-founded so long as there is such uncertainty and chaos with reference to what may be termed the other side of wages, namely, the return or allowance afforded to those who provide the capital or use it in the management or direction of business. British income tax surveyors informed the Royal Commission on the Income Tax that during the war period a conservative estimate of the amount lost to

## The Wages of Labour

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the Exchequer by fraud and evasion was 100 million pounds, and they pleaded for greater power in access to business and banking books. It is not suggested that business men should disclose all their private affairs, but it is probable that the importance of the two issues of accurate taxation and the bearing on wages of the allocation of a strictly fair profit, will compel attention to the whole problem of publicity as a plain duty in the matter of British economic progress.

It may be convenient to take this opportunity to indicate that no permanent solution is likely to be found in the device of the sliding scale, based on variation in the cost of living. Sliding scales are in reality very old, but the present-day form is substantially that adopted in the case of the National Union of Railwaymen and other organizations, providing for rise or fall within certain limits as the cost of living index numbers of the Ministry of Labour move up or down. In the United States and other parts of the world the refinements of sliding scale are more numerous. According to *Labour Overseas* there are, at the moment in America three main types of plan. The first provides that an additional monthly percentage will be paid which increases by 5 for every rise of 1 in the Bradstreet monthly index number. The Bradstreet series of index numbers is based on the wholesale prices per pound of 96 commodities, calculated monthly. A modification of this scheme

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## Minimum Rate and Standard Wage

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adopted in another sliding wage-scale uses only the first six of the 96 commodities in the Bradstreet system, on the ground that they are the most necessary. The second type of plan calculated the proportionate increase of prices by comparing the index figure for each month with that of the preceding month. The firms multiplied the weekly wage by this fraction, and paid the resulting sum as an addition to the weekly wage throughout the month. The third type used as standard the average of the Government index numbers for the first six months of 1918. Each monthly Government index number, divided by this standard, gave the proportion which the additional cost-of-living wage should bear to the basic wage during the month. This form of sliding scale rests upon the reliability of statistics affecting the cost of living at a time when, admitting all the improvement of recent years, there is still a lamentable weakness in British statistical research. That weakness is doubtless capable of remedy, although it may be questioned whether in Great Britain at all events even substantial improvement would establish the sliding scale as a permanent solution. That it has still considerable life need not be disputed, but there are two facts which go far to undermine it even now.

The debate before the Commission which inquired into the wages of dockers indicated clearly that the demand was not for something which would merely fill the stomach and clothe the back; it in-

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## The Wages of Labour

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volved also some margin for at least the minor comforts of life and for a progressive improvement in economic position. In short, the debate went straight to the danger of the static in remuneration, and a little investigation shows that there is probably no system so really static as one which responds in rise or fall only when the prices of commodities move up or down. Besides, it is inconceivable that such a system could ever be permanent in the midst of growing enlightenment and education among the people.

The second principle was laid down in the decision of the Industrial Court of March, 1920, on the application of the trade unions connected with the British engineering trades for an advance in wages. The men based their case on increase in the cost of living. The Court ruled that while, during the exceptional circumstances of the war, it was proper to take into account the cost of living as the principal determinant of wages, other considerations now arise. It expressed the view that the remuneration of workpeople should depend on the value of work done, and that the value of the work done depends on the state of the market. The Court also proceeded to point out that the engineering trade was in a condition of exceptional activity owing to the need for repairing the loss and wastage of war, and reference was made to the fact that the rates of the men concerned had, apart from advances to meet the increased cost of living, remained unchanged for several years; to the relation-

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## Minimum Rate and Standard Wage

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ship between the wages in the engineering industry and those in other trades; and to the desirability of stabilizing the position in the industry for a reasonable period. Having regard to these considerations, the Court gave an advance on the time-rates of men twenty-one years of age and over and an advance of 15 per cent. on piece-work rates. The economic principles of the judgment need not be argued. The important point is the considered departure from the cost of living basis applicable in times of crisis, and a reference to conditions of the market and the value of work performed, which may be set alongside the dockers' claim for provision for the minor comforts over and above provision for the necessities of life themselves. From such double attack, strong on humane and economic grounds alike, it seems that the sliding scale has slender chance of permanent recovery.

What we have called the scientific or standard wage goes back rather to the original aim of the trade unions in their desire to establish a standard of life. The Combination Laws, as Professor Marshall has shown, depressed wages a little and gave employers a temporary advantage, but they depressed much more the strength and richness of character of the workmen. The growth of organized effort through the trade unions, while still narrow in its application to the great political and social issues of the State, has nevertheless broadened the outlook of millions of



## The Wages of Labour

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men and women in industry. The enforcement of the common rule, achieved through collective bargaining, has on balance been advantageous to Great Britain, but it is very important to-day that as far as possible we should avoid the false standardization which this policy occasionally involves. Rigid standardization encounters difficulties in new and better industrial processes, in the remuneration of the physically weak, and in the delimitation of the function of each industrial group.

More and more the problem of the equitable and proper remuneration of all parties proves to be a question of technical education, systematic training in industry and commerce, and a willingness to make such adjustments as are necessary to secure maximum service and happiness of the whole of the people. In practice it will be found that many of the weaknesses of the standard wage are due to our national neglect of adequate technical education and particularly to chronic suspicion of the methods of scientific management in industry, the theme to which, as a programme of remedy, we shall shortly turn.

## CHAPTER VII

### SCIENTIFIC MANAGEMENT

**B**EFORE dealing with the strict definition of scientific management it may be convenient at this stage briefly to notice the influence of profit-sharing and labour co-partnership as a means of securing a sound adjustment of remuneration. In view of the fact that some of the schemes, especially where they introduce bonus in ratio to wages, have features more commonly associated with the devices of scientific management the reference to them at this point may not be inappropriate. In Great Britain three official reports, issued in 1891, 1894 and 1912 respectively have dealt in detail with profit-sharing and labour co-partnership. In 1917 the United States Government issued an elaborate report, and in other highly industrialized countries the subject has received a good deal of attention. In this country the changes arising from the war were so substantial that, in 1920, the Intelligence and Statistics Division of the Ministry of Labour issued a fresh report, in which they defined profit-sharing as applying to those cases in which an employer agrees with his employees that they shall receive, in partial remuneration of their labour, and in addition to their wages, a share, fixed beforehand,

## ***The wages of Labour***

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in the profits realized by the undertaking to which the profit-sharing scheme relates. An agreement binding in law is the normal form, but there are cases in which the agreement has only a moral obligation. The sum paid to the employee must come from profits; proportional contributions by the employer to a pension or philanthropic fund would not be profit-sharing, unless the agreement was to pay out of profits only.

In the latest statement of the Labour Co-partnership Association co-partnership is defined as meaning that the worker shall acquire some share in the control of the business in the two following ways:—(1) by acquiring share capital, and thus gaining the ordinary rights and responsibilities of a shareholder; and (2) by the formation of a co-partnership committee of workers, having a voice in the internal management. This definition is an important amplification of the original basis, which provided, first of all, that the worker should receive, in addition to the standard wages of the trade, some share in the final profit of the business, or in gains from economies effected in production; and, secondly, that the worker should accumulate his share of profit, or part thereof, in the capital of the business employing him, thus gaining the ordinary rights and responsibilities of a shareholder.

Even with this amplification, however, it is doubtful whether greater success is likely to attend

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## Scientific Management

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co-partnership schemes in Great Britain. Up to the present time few of them have shown a robust vitality. Dating from an isolated scheme which started in 1829, and taking the schemes started in each year since 1865, it would appear that of the 380 which have been known to exist, about 200 have been abandoned; only fourteen of those now in existence are of more than thirty years' standing, and only thirty-six were started earlier than the year 1901. Profit-sharing has had its boom periods, as in 1889-92 and 1908-9, and slump periods as from 1893-1907 when little or no effort of this kind was undertaken. Official investigation finds it very difficult to relate these fluctuations to general industrial conditions, but it has been suggested that the periods of activity in the profit-sharing movement coincide with periods of good employment and with periods of industrial unrest when employers were seeking for devices to avert recurring industrial conflicts.

The causes of the discontinuance of profit-sharing schemes include such alterations in circumstances as the death of the employer, or his retirement, change in the management of a business, its conversion into a limited liability company, municipalization of the undertaking, shortage of staff, a decision to allow employees to invest in war loan, and finally, the confusion caused by wages awards, some of which took the profit-sharing scheme into account and some of which did not. From this summary certain deduc-

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## The Wages of Labour

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tions are permissible. Profit-sharing has little chance of success if there is no definite provision for continuity, and under the best conditions of business that will be difficult to obtain. Nor does it appear likely that at an early date will there be such order in the wages system of this country as to free proposals of profit-sharing from the suspicion of selfish motives. If they are suggested as an alternative to the improvement of a standard rate their prospects may now be regarded as hopeless. Of the other important reasons for failure the most common is financial difficulty—the absence of profits to share; even in a tolerably good year like 1891 five schemes came to an end in this way.

A considerable percentage of schemes have been abandoned because of the dissatisfaction of employers or workers, and very often the dissatisfaction of the former has been due to the apathy with which the schemes were regarded by those whom they were ostensibly designed to help. It would be wrong to suggest that in the ranks of organized workers interest in such devices is keener to-day. The average worker distrusts profit-sharing partly because of the record of failure which is written round its efforts for more than half a century, but he distrusts it more because it appears to him to be likely to undermine collective bargaining, and, in any event, if he is to participate in remuneration based partly or wholly on profit, he prefers that it should take one or other of the forms

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## Scientific Management

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associated with scientific management or payment by results.

\* Apart from the admitted success of several schemes which have had the advantage of approximately monopoly conditions, and of others which have been made to work by the strong personality of their promoters, some at least of the schemes which have failed were suggested by employers who had a genuine desire to improve industrial conditions. But even such pioneers have had to give way within recent times for two reasons which may be said to grow more substantial every day, namely, the growth of social legislation such as national health insurance, unemployment benefit and workmen's compensation on the one side, and the steady increase of taxation on the other. The average employer feels that under the latter heading he is making his full contribution, especially when income tax and super-tax together come to more than eleven shillings in the pound, and he concludes that in such circumstances he is not called upon seriously to consider profit-sharing proposals. In other cases employers have preferred to give their workpeople the immediate advantage of shorter hours or increased wages. That these were generally more acceptable need not be questioned, for one of the marked disadvantages of profit-sharing schemes was their tendency to defer the distribution, a serious hindrance in a period of rising prices. Profit-sharing may be useful to the workers

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## The Wages of Labour

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when they have a greater share in determining the policy of a business, but for the time being facts must be regarded as strongly against it, and it seems to be inconceivable that it can play any effective part in the early reconstruction of British systems of remuneration.

In popular discussion scientific management is usually associated with the development of American industry. Following an advance in wages in 1910 certain of the American railway companies filed with the Inter-State Commerce Commission new freight tariffs which led to litigation with the shippers, one of whose attorneys argued that scientific management afforded a method whereby the railway companies could raise wages and at the same time, instead of increasing tariff rates, actually reduce them. In a standard work on scientific management Dr. Drury considered that the principles of the industrial system which were then discussed had been in process of formation for thirty years. And when public attention was attracted by such statements as that of Mr. Harrington Emerson, to the effect that American railroads might save more than a million dollars per day by paying greater attention to efficiency of operation, the question was speedily recognized as one of general importance, if not indeed one of the greatest problems confronting the industrial world.

The pioneer work of Mr. Frederick W. Taylor is tolerably familiar. Convinced of the loss involved in

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## Scientific Management

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the conflict between managers who wished men to work faster and men who refused to increase their output, Taylor undertook at great personal sacrifice systematic study of the time strictly required to do certain work, in order to ascertain accurately what constituted a day's work. This was generally described as time study. To that he added a careful study of motion, the manner in which the work was done, including the standardization of tools and equipment, the training of the worker in the best ways of performing his task, the selection of men physically and mentally fitted for particular jobs, improved system in the management of stores, and other features. He also attacked the method of plain piece-work, that is, a fixed payment for each unit produced or each piece of work overtaken, without reference to the aggregate amount. His differential rate was simply a piece-rate scheme by which a low rate per piece was paid for small output, with a standard task based on the time-study already described. All workers who fell below the standard were paid at the lower piece-rate, while all who reached or exceeded the standard were paid for the whole of their output at a higher rate.

Mr. Henry L. Gantt developed Taylor's system, in that he provided that men who finished their tasks in the time set or less received pay for the number of hours allotted to it, plus a certain additional time, such, for example, as four hours' pay for a three hours' task, this same number of hours' pay always to be



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## The Wages of Labour

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given for the work whether finished to standard time or less. The task and bonus method, as Gantt's system was called, for the most part displaced the differential rate.

Describing his system as efficiency rather than scientific management, a distinction which was purely verbal, Mr. Harrington Emerson based remuneration partly upon the "efficiency per cent." employee. A standard task having been fixed on the basis of time study, the workman who just completed it in the allotted time was credited with 100 per cent. A day rate was guaranteed, understood to be normal compensation when compared with prevailing wages. A man who could not attain two-thirds efficiency was regarded as below normal ability and might lose his employment. From 67 per cent. efficiency there was a small bonus, growing until at 90 per cent. the bonus was 10 per cent. Above that point, for each additional 1 per cent. gain in efficiency, 1 per cent. of bonus was added. This system is similar to Gantt's task and bonus, save that with Gantt there is no bonus until the workman comes up to standard performance, the hope being that the large and sudden increase which is then available will bring all the workers up to a comparatively high standard in productivity.

In Great Britain there has been, in the main, much more interest in the premium bonus system, and while there are many methods in this school they may be

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## Scientific Management

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described without inaccuracy as modifications of the Halsey and Rowan systems. In both of these the central principle is that, while the worker is guaranteed his hourly rate for the time spent on a piece of work, a standard time is set for the job, and the rapid worker is paid a premium, calculated in proportion to the time saved on this standard. The older systems of differential payment attacked the problem from the standpoint of output gained; the Halsey and the Rowan premium bonus systems attacked it from the standpoint of time saved. Fundamentally, of course, output is always the consideration. Dr. E. D. Jones, an American professor of economics, claimed, however, that "the psychology of the two propositions is quite different. To save time seems to a workman a process of conservation, a demonstration of his ability, and an achievement in harmony with the hurrying ideals of American life; to produce a greater output seems more like overworking and glutting the market, and giving his employer something without adequate return."

Mr. F. A. Halsey, who remarked that "making the hourly premium less than the hourly wage is the foundation-stone on which rest all the merits of the system," indicated that his plan was an effort to overcome the difficulties of ordinary piece-work. A piece-rate which was imperfect and erroneous led to excessively high earnings; the piece-rate was then cut by the employers, and workmen responded by limit-

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## The Wages of Labour

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ing the output and holding back on fresh jobs. The fixing of a premium rate lower than the hourly rate was designed as an offset to possible errors in rate-fixing. In this way it was thought that the need for the cutting of rates would not arise, and it was also urged that time-setting would be simplified and that the system was easier to introduce and more stable than piece-work. Under the Halsey system, men who, owing to some unexpected development, had produced, say, ten times as much as before, could, even after the scheme had given two-thirds of the increase to the management, still earn three times more than they were getting under the day rate. No doubt this is an extreme example, but in some cases workmen under the Halsey method might earn wages so excessive as to necessitate the cutting of rates.

The Rowan plan provided, therefore, that a standard time should be allotted to the workman for the performance of his work, and that however rapidly he might accomplish the task his earnings for the standard time, though increasing with the time saved, should never amount to double the standard time-rate. Another way of expressing the principle is to say that hourly wages are increased by the proportion which time saved bears to the time allowed, and since the job must occupy some time the time saved can never equal 100 per cent. Dr. Drury remarked of the Rowan system that it combined a

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## Scientific Management

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"high reward for the man who by his industry doubles the output, with a positive though somewhat elastic stopping of the upward spurt of wages in the case of a man who has found a 'soft snap.'"

Of other forms of payment by results there can be distinguished individual piece-work, the simplest and oldest form of all; group piece-work, an extension of the system from individual to group; gang piece-work, particularly in jobs which require the intimate co-operation of several individuals; overhead piece-work, based frequently on the normal output of the works as a whole, and providing that, in whatever proportion it may be exceeded, in the same proportion should the aggregate wages of the workers be increased. In bonus schemes an elementary form is that which provides for the recognition of good time-keeping, sometimes a lump sum to all employees who work the full normal number of hours for the week, and sometimes payments varying on a scale according as the worker approximates to a standard performance in time-keeping. In special bonus schemes there are rewards which in themselves contain recognition of both improved output and good time-keeping; merit bonuses applied to both adult workers and apprentices, given occasionally for such vague reasons as "good behaviour" or "working well," but mostly, it would appear, with reference to time-keeping; scrap-saving bonuses, designed to encourage the most careful use of the raw material of the industry; and

## The Wages of Labour

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bonuses in aid of wages, some of them so clearly in aid of low wages as to form at best a very doubtful method of remuneration. To encourage "piece-work speed" on work which does not lend itself to measurement by the "piece" there are various local systems which include "guarantee" rates, "nod" or "lieu" rates, mostly additions to ordinary time rates, sometimes the survival of a local custom, sometimes called into service by the pressure of exceptional conditions of work.

Much more complex in many respects are the bonus schemes which have direct reference to output. Some have been based on the value of the product or the actual sales, but neither of these can be regarded as a satisfactory foundation for an output bonus. Apart from the proverbial difficulty attaching to the term "value," both value of output and sales are liable to all manner of fluctuation lying mainly within the sphere of distribution, and not under the control of wage-earning producers. Other bonuses have proceeded on the relationship between wage cost and value of output. During the war, for example, a Yorkshire engineering firm arranged that the workers should be given a bonus in respect of any reduction in labour cost relative to output value according to a certain scale, the bonus being originally distributed to all workers in proportion to the number of hours worked, but afterwards being divided into shares for groups, and then distri-

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## Scientific Management

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buted among the individual members of the groups according to the number of hours worked. Such a scheme, however, is uncommon, and the one under review had a very brief life. In addition to such methods there are bonuses paid on wages, according to a percentage on wage in proportion to output, either above a standard amount, or as a whole; bonuses based on the whole output, which may be in constant proportion to the output, or varying in proportion to increase in output; bonuses more specially based on output above a standard, in which there are those which allow for excess output at the same rate as for normal output, those which pay for excess output at rates related to wages for standard output, and which pay for excess output at rates which apparently bear no relation to wages for standard output, the last class being in turn subdivided into bonuses with constant increases, bonuses with increasing increases, and bonuses in which the increases decrease. And finally there are supplementary bonuses, which are, as it were, a bonus upon a bonus, and during the war were often given in a kind of chain as a reward for the maintenance of strenuous effort in production.

It must be admitted that war experience, and the fact that national funds were almost lavishly at the disposal of industrial undertakings engaged in the manufacture of munitions, encouraged a large number of bonus schemes which had little chance of surviving

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## The Wages of Labour

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in ordinary peace-time production. Many of the schemes were frankly wasteful. It was important to get the munitions at almost any price, and to that end money was poured out like water. Incidentally these war-time practices have contributed to a form of demoralization of the wages system which seriously prejudices the early hope of sound reconstruction. The introduction of the now notorious 12½ per cent. award of the Government during the war involved innumerable difficulties for practically all systems of payment by results. It weakened the popularity of well-established schemes, and it added to the unpopularity of systems which were already regarded with disfavour by the workers. It raised many acute problems through the interrelation of the wages of various classes of workers and through the marginal cases which cross the boundary between different industries. National awards may sometimes have caused more trouble than they averted.

But when all allowance is made for the chaos of war, there remains a complex network of payment by results in British remuneration. All students interested in the success of payment by results have emphasized the value of publicity as to the precise methods employed and of simplicity in the general structure. It is clear, however, that already chaos and complexity have overtaken this effort, and while much of the failure is due to larger

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## Scientific Management

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buted among the individual members of the groups according to the number of hours worked. Such a scheme, however, is uncommon, and the one under review had a very brief life. In addition to such methods there are bonuses paid on wages, according to a percentage on wage in proportion to output, either above a standard amount, or as a whole; bonuses based on the whole output, which may be in constant proportion to the output, or varying in proportion to increase in output; bonuses more specially based on output above a standard, in which there are those which allow for excess output at the same rate as for normal output, those which pay for excess output at rates related to wages for standard output, and which pay for excess output at rates which apparently bear no relation to wages for standard output, the last class being in turn subdivided into bonuses with constant increases, bonuses with increasing increases, and bonuses in which the increases decrease. And finally there are supplementary bonuses, which are, as it were, a bonus upon a bonus, and during the war were often given in a kind of chain as a reward for the maintenance of strenuous effort in production.

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## CHAPTER VIII

### SCIENTIFIC MANAGEMENT—(*continued*)

**B**Y far the greater part of the objection to the extension of scientific management and the adoption of more accurate systems of payment by results in Great Britain has been offered by the workers. But it should be recognized that many employers have been hardly less definite in their opposition. In some cases this has been due to the fact that the industries involved did not lend themselves to this form of remuneration. Ordinary piece-work and the measurement of output did not apply. There are now, however, so many refinements of overhead bonus, often based on the general efficiency and success of an undertaking, that, given the necessary will and enterprise, some departure from the payment of customary time wages could almost certainly be made. In common with many workers, employers have objected to the complexity of schemes. There is no reason why schemes should be complex. Experience has proved that complex schemes defeat the purpose they have in view, and that the more they are simplified the more successful they become. Again, employers

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## Scientific Management

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have urged that while in theory production should be made the basis of remuneration, the schemes proposed do not necessarily get rid of extravagance. Such criticism is usually based on war practices, than which, as has already been indicated, it would be difficult to imagine a more unsafe and misleading test. For practical purposes it may be said that during the war, in a large part of industrial enterprise, economy was no consideration; a bountiful State would meet the bill. And many proprietors and users of capital have suggested that even with the best conditions it is impossible to get accurate rate-fixing, and more particularly uniform rates. The rates are either excessive, leading to increased cost of production, or they are insufficient, breeding discontent among wage-earners and imposing a penalty on output. We shall see later that it is possible to frame a much sounder policy in rate-fixing, but on the question of uniformity it should be observed that even if district variations are taken into account the growing federation of capital and of labour should make agreement on that issue comparatively easy. Other employers have expressed a willingness to proceed with schemes provided they were not expected to satisfy any request for publicity. That is no remedy for industrial unrest; it will do nothing to help the cause of sound remuneration; and it may now be regarded as inconsistent with public policy. Finally, the compara-

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## The Wages of Labour

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tively slow development of scientific management is partly due to the conservatism and lack of imagination of many British employers. They prefer to abide by the methods of their grandfathers, and look with only languid interest on technical education, the measurement of efficiency, and the other problems of scientific management.

The objections which have been offered by the workers are much more important, especially at a time when Great Britain may be confronted with the growing competition of a reviving Europe. Some of the initial objections of labour relate to remote effects. There is, for example, the persistence of the work fund theory, and the idea which is strongly, if vaguely, held that at any specified time there is only a definite amount of work available. It is argued that, if individual output is increased by an extension of the piece-work system, the available work will provide fewer people with employment. This is in effect simply another form of the case against the introduction of machinery, and it is at once destroyed by the inevitable effects of the enhanced production, the wider market secured, and the *ultimate* employment of far larger numbers than would otherwise have been possible. It is admitted that in the time of transition—and practically all time is, in this matter, time of transition—men and women may be unemployed. Also, as the aggregate production is increased, there is greater

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## Scientific Management

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danger of the formation of combines or trusts. We require much better organization of industry, particularly in alternative occupation, to meet the difficulties of the period of transition, until the wider demand responds. And anti-trust legislation, already provisionally promised by the Government, is now a question of urgent importance, more particularly since it is known that Germany and other potential competitors of the future are entering into agreements with groups in foreign countries, the inevitable effect of which would seem to be to strengthen the international trust movement.

The other objections are much more immediate. It is suggested that piece-work systems foster jealousy and rivalry among workpeople, and undermine the desire to co-operate for common ends. In reply to this it may be pointed out that the trade unions which have admitted piece-work systems have great solidarity, strong bargaining power, and have not found their strength in any way undermined by this method of remuneration. In point of fact, the intricacy of many of the difficulties which have been raised has convinced the worker of the importance of having a strong and reliable organization at his back. Again, it is argued that piece-rates undermine standard time-rates, that earnings on piece-work are variable and precarious, have an unsettling effect on family budgets, create inequality of wages between individual and individual, group and group, and

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## The Wages of Labour

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make plain to the employer differences in capacity or industry to the disadvantage of weaker and less efficient workers. But on these several points it falls to be remembered that, practically every system of payment by results, certainly in the sphere of scientific management, provides for the payment of a minimum. Investigation has shown that on piece-rates there tends to be substantial equality of earnings, and that, as regards the family budget, they afford an elasticity that ordinary time-rates cannot profess. It is no part of the business of any wage system to minister to weakness or inefficiency, since the tendency of that is to force down remuneration to the level that can just be reached by the weak or inefficient worker. For the physically weak or disabled there must be special provision, but let that be made on proper lines; it is no kindness to them or to their fellow-workers to aim at a standard which in practice they cannot justify. That policy will only in the long run penalize them more severely.

Much more important is the argument that piece-work leads to undue speeding up, exhaustion of the worker at the end of the day, and to a shorter working life owing to earlier decline of physical and mental energy due to intensified strain. In many respects this is primarily the issue in remuneration which British industry and commerce should face. According to the best advice there would appear to be little doubt that many of the more advanced

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## Scientific Management

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forms of scientific management which have been introduced in the United States have prematurely exhausted large numbers of workpeople. In innumerable cases they have contributed to a moral, mental and nervous strain which has expressed itself in many of the extravagances and excesses of American life, and it has been urged with great power that the increased efficiency, larger production and enhanced remuneration have been purchased at too great a price. But the remedy is not to return to obsolete methods because scientific management has made mistakes. The cure lies in improving scientific management.

The problem of mind and work, with that of physical capacity and strength, has been closely investigated in the United States. In Great Britain the Industrial Fatigue Research Board, and a number of enlightened employers, medical men and workers have applied their ability to somewhat similar questions. The investigation has included such points as the response in output to reduced hours of work, the effect on the worker of certain processes either in speeding up or increasing production, the influence of rest pauses in daily occupation, the part which is played by the condition of raw material, notably on Mondays, after factories and plant have cooled down during the week-end, the frequency of accidents at certain ranges of temperature, economy of motion and energy by the arrangement of tools

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## The Wages of Labour

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and machinery, and the economic value of the Saturday short-day. Very valuable as that inquiry is, it has been applied to only a small part of our industry, although it is clear that it is closely associated with every effort to secure a reliable system of remuneration. In America errors are being corrected, and it has been proved that, properly applied, the system may be far more humane than the comparative chaos which preceded it. In short, scientific management requires, like everything else in industry, to be democratized. Hitherto it has been one-sided, mainly to the advantage of employers and large industrial undertakings, although workers have undoubtedly obtained greatly increased wages in some cases. If a sound standard rate is fixed—and this minimum is the feature of all the schemes—the worker is safeguarded in income in respect of that amount of work which a normal toiler can reasonably overtake. If he is able or wishes to do more, extra remuneration will follow, but at all events the standard is safeguarded. On this point organized labour should be carefully consulted; hitherto the standard has been fixed with melancholy frequency by the employer or his manager, with the inevitable tendency to set the pace by the fastest man, or by someone of more than normal ability and power.

To this change much more must be added. Apart from the sanitary improvement of factories, the provision of light and air, we require urgently

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## Scientific Management

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the economy of effort which comes from the rearrangement of tools and machinery, the adoption of mechanical methods of performing many of the recurring tasks still done by hand with consequent monotony and lowering of industrial efficiency, and the study of rest intervals which were proved to be of the highest value in the strain of war industrial experience. Unfortunately we are only at the beginning of all this enterprise in Great Britain. It is starved in funds. It is hardly seriously considered by large numbers of employers. Where discussed by workmen it is generally opposed. Scientific management might be a new form of bondage. But if labour faces it properly it will probably prove to be a substantial part of the basis of coming industrial and economic freedom. Nothing could be more unfortunate than a decision of organized workers, based on mistakes all capable of correction, to oppose a tendency which is manifestly in the interests of British prosperity, essential to the maintenance of our place in the economic counsels of the world, and indispensable to a higher standard of life for every member of the community.

Two difficulties remain, one of them of a general character, and the other raising perhaps the most important of the immediate issues in the solution of the broad problem of remuneration based in any way on results. The first contends that such systems involve a departure from the principle of collective



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## The Wages of Labour

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bargaining. In view of the fact that so many of the trade unions now work according to some piece-work plan, and that many others have a mixture of time and piece payment, and so far from becoming weaker have become more strongly organized in the process, it is difficult to believe that this objection can be relevantly maintained. It is based on the fear that employers will approach individual workers, or groups of workers directly, or that one section may be used against another with consequent disintegration of trade union machinery. But it must be recognized that there are now few employers who do not admit that such devices are practically hopeless. Nothing is more likely to undermine the success of any method of payment by results, especially when it is conceded that without the voluntary co-operation of all sections of the industry it has little chance of fair trial or application. In point of fact the problem which we are now discussing is one which much more closely concerns the trade unions themselves. During the war many of the bonus schemes provided for the definite recognition of the place of unskilled workers; men and women who did little more than keep the factory clean and tidy were regarded as just as essential to its success as anyone engaged in it; and they were included in the overhead payments which were made from time to time. Recently, however, with a return to the stricter economy which characterises peace-time business, re-

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## Scientific Management

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representative employers and trade unionists agree that in some departments of industry the effect of the agreements which they reach is to penalize the "bottom dog," and it is odd that this should happen even when the latter is a member of the same union, or federation of unions, to which the highly skilled and the skilled workers belong. If we assume that the larger organizations which are daily being formed in the trade union world deal adequately with this question, and in the long run protect approximately the whole of the workers engaged, there can be little fear of any serious inroad upon the principle of collective bargaining. It is admitted to be desirable in the interests of the community that industrial agreements should be as wide, well-defined and comprehensive as possible, mainly as providing a basis of tolerable certainty on which industry can proceed with its national and international enterprise. The influence of the adoption of schemes of scientific management will not be in the direction of the abolition of collective bargaining, which would be as easy as trying to sweep back an economic Atlantic; the influence will be decidedly in the direction of making collective bargaining a thing of greater complexity and statesmanship in the definition of the basic rate and the preparation of the schemes of differential remuneration which will be reared upon it.

In connection with the determination of time-bases and prices collective bargaining may find new oppor-

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## The Wages of Labour

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tunities. Attention has been called by opponents of scientific management to the scope for exploitation by employers in the arbitrary fixing of piece-work rates and in the reduction of piece-work 'prices' after a scheme has been established. On the first they have argued that any change to a new system is more or less experimental, and that the employer has technical and other advantages in bargaining which are much superior to those of the workers' representatives, especially if the latter are inexperienced in piece-work systems. The remedy lies in the presentation of all the facts, not merely at the inauguration of a scheme, but from time to time during the life it enjoys. The second point brings us to the very root of the problem. With perfect justice large numbers of workers point out that they have given such schemes a trial; they did their best in output with the machines and the materials at their command; they were induced by their employers to work at piece-work speed for remuneration in advance of the time rates; and the piece-work prices were afterwards cut so that only an amount approximately equal to the previous time rates could be earned. In the discussion of rate-fixing and rate-cutting the very soul of scientific management and payment by results is at stake.

The fact that rate-fixing has been mostly a matter for the employer exclusively has been repeatedly emphasized. In turn employers have depended for

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## Scientific Management

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the most part upon a single individual, and it need not be doubted that it was often his aim to keep cutting the rate until he got maximum output for the lowest price in wages that the workers would accept. War experience in rate-fixing is notoriously untrustworthy, but the record of the controlled establishments at all events directed attention to other fundamental issues. In establishments where little repetition work was done, it was almost impossible to arrive at an accurate rate. One manager remarked that the amount of work involved was tremendous, and he had no reliable man acceptable to the workers whom he could put on the job. When piece-prices had to be fixed without the guidance of pre-war experience, which, of course, would be substantially the position if payment by results was applied to an industry in which it had been previously unknown, it was felt that the rate must be fixed high enough to be readily accepted by proficient workers and moderate enough to preclude the possibility of disproportionate earnings when the workers had become expert. That these conditions were not merely incompatible, but gave rise to far-reaching problems affecting industrial grading as a whole, may be gathered from the fact that, where liberal piece rates or premium bonus rates had been fixed, abnormal wages accrued to unskilled workers, and there arose "the skilled worker's grievance." Rate-fixing difficulties were not confined to business undertakings where new and

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## The Wages of Labour

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constantly changing work was being performed. In many plants the very fact that repetition work to an unheard-of extent was necessary became in itself a source of difficulty in rate-fixing, 'as the continual repetition led to such speed and efficiency in production that prices which were reasonable at the beginning of the war became excessive at a later date. This led to much of the war extravagance in industrial establishments. There were, in addition, problems arising from material; it varied in quality and in readiness of adaptation; and that variety produced much difficulty in the subsequent remuneration. Jobs were often priced by rate-fixers in such a manner as to make it impossible for the men to earn the anticipated percentage over time rates. The breakdown of systems of payment by results due to faulty rate-fixing led to unorthodox attempts by the men themselves to adjust earnings, and such attempts occasionally had the effect of destroying any relation between time and piece rates. Some of the rate-fixing devices seemed to be designed to set man against man, especially when foremen experimented with men and advised them to keep their output prices to themselves, or asked several men to set a price after telling the first that they would ask no other. No doubt many of the issues which have been summarized must be considered in the light of war emergency conditions, but substantially they remain, and they might all arise in any effort to apply

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## Scientific Management

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the most part upon a single individual, and it need not be doubted that it was often his aim to keep cutting the rate until he got maximum output for the lowest price in wages that the workers would accept. War experience in rate-fixing is notoriously untrustworthy, but the record of the controlled establishments at all events directed attention to other fundamental issues. In establishments where little repetition work was done, it was almost impossible to arrive at an accurate rate. One manager remarked that the amount of work involved was tremendous, and he had no reliable man acceptable to the workers whom he could put on the job. When piece-prices had to be fixed without the guidance of pre-war experience, which, of course, would be substantially the position if payment by results was applied to an industry in which it had been previously unknown, it was felt that the rate must be fixed high enough to be readily accepted by proficient workers and moderate enough to preclude the possibility of disproportionate earnings when the workers had become expert. That these conditions were not merely incompatible, but gave rise to far-reaching problems affecting industrial grading as a whole, may be gathered from the fact that, where liberal piece rates or premium bonus rates had been fixed, abnormal wages accrued to unskilled workers, and there arose "the skilled worker's grievance." Rate-fixing difficulties were not confined to business undertakings where new and

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## The Wages of Labour

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of parties. Certain industrial stoppages led the Committee on Production to suggest joint rate-fixing, and under one of the awards, applying to a group of workers in the Midlands, a price adjustment committee was appointed, consisting of three representatives of the employers and three of the operatives, with power so to adjust piece-work prices as to make piece-work earnings equal to the increase given in the award. Even before the war there were many agreements on piece-prices or other methods of remuneration which had been accepted by employers as preferable to the arbitrary decision of the rate-fixer. Such agreements certainly indicate a substantial departure from the policy of the single official, but many trade unionists have regarded them as weak in failing to provide for a court of appeal in the event of failure to reach a mutually satisfactory understanding. In some of the more recent agreements, however, it has been expressly provided that the workers shall have the right of appeal against the decision of the firm's rate-fixers to some body on which the employers and the workpeople are represented. In certain departments of the iron and steel industry during the war there was a series of courts of appeal, even more elaborate than the structure of the law, and one case which passed through all stages was finally settled by the arbitration of the Ministry of Labour.

On the third point, rate-fixing by arbitration, .

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## Scientific Management

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it is difficult to be precise. The total amount of experience gained so far is inconsiderable and somewhat contradictory. Single arbitrators rendered useful service in the course of the war, but they encountered much difficulty when they were called upon to give a ruling which raised a principle of payment. This led to lack of uniformity in decision, and it was suggested that it would be much better if as a rule questions of principle were reserved for a higher authority, such as, during the war, the Committee on Production. Some firms have standing agreements providing that rates which are unsatisfactory to their employees shall be referred to some form of conference representative of both sides of the industry, usually a body composed of representatives of an employers' federation and a trade union. Besides being of considerable value to the workers these rights have had a real influence on rate-fixers; they have made their position less arbitrary; and the fact that there was recognized means of redress at the hands of a tribunal with knowledge of the circumstances has tended to secure in the first instance a rate in which precision and equity were happily blended. Fourthly, there has, of course, been no general attempt on the part of the trade unions to assert the principle of collective bargaining in connexion with the machinery of a system to which many of them are opposed. In 1917 several trade unions in the north of England decided



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## The Wages of Labour

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that piece-work prices at a certain establishment should be fixed by individual agreement between the company and the workman or workmen who performed the work, but generally speaking such proposals are rejected, and it is usually urged that schemes can be recognized only when they definitely secure collective bargaining. In some cases collective bargaining has taken the form of consultation between employers' associations and trade unions. Occasionally trade unions have attempted to secure the exclusive control of rate-fixing, and one or two spectacular movements of this character, led by shop stewards during the war, came to grief. As a rule the initiative in rate-fixing remains in the hands of the employer, and that is the central fact which falls to be considered when remedy is suggested.

We have seen that no particular system of payment by results gets rid of the duty of rate-fixing. Mr. Hoxie remarked that one would seek in vain for "any scientific methods devised or employed by scientific management for the determination of the piece-rate," and he added that "with industry in flux, what amounts to rate-cutting seems to be almost of necessity an essential part of its very nature." If we assume, therefore, that even under the best of economic conditions variations in rates will be necessary, it is surely obvious that the task of rate-fixing must be undertaken jointly by employers and employed. Under no other circumstances is payment

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## Scientific Management

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by results likely to secure a fair trial. The joint effort must be accompanied by the fullest information on all essential points. And if the principle of joint rate-fixing is admitted the scheme must be large and comprehensive. It will be necessary for trade unions to define their attitude to this problem of industrial change. In any trade in which the system is accepted there might be national agreements regarding the control of rate-fixing. In the districts there might be agreements between employers' federations and trade union organizations similar to those now in force. In individual workshops there might be joint rate-fixing authorities. Throughout there should be the right of speedy appeal to a local tribunal, and, if necessary, to a national court, with due safeguards for the continuance of work and the absence of restriction of output pending settlement of the dispute on terms which would have retrospective effect. Such a scheme would involve the preparation of a kind of code of rules on rate-fixing. In addition to the publicity already urged it would be necessary to provide for systematic study of the wage-levels prevailing in the area in which the rate-fixing was undertaken, elasticity in the adapting of systems of payment by results to the particular work in hand, and a willingness to adopt, if necessary, a variety of systems, since it is clear that at this stage it can hardly be suggested that any system in particular is of universal application.

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## The Wages of Labour

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Finally, to those who anticipate the time when in the industry and commerce of Great Britain collectivist or at least guild principles will be much more largely applied than they are to-day, there falls the urgent duty of impartial consideration of remuneration based on results. Very properly they hope that some day industry and commerce will be thoroughly efficient. The application of collectivist or guild principles would be subject to at least two tests, the manner in which they contributed to comfort and happiness among the people at home, with increasing opportunity for interests apart from those by which they earn their bread, and the contribution by Great Britain of its full share in the economic progress of the world. A collectivist or guild organization would be exposed to great strain, because even if it commanded the support of a majority of the people there would be for many years a substantial minority who would desire to revert to former economic methods and would exploit every weakness in the new organization to that end. The mere substitution of a better motive would probably not solve all difficulties even in the sphere of "wages," and there are many who take the view that, in the time of transition at least, systems of payment by results, on broad and generous lines, would be even more necessary than they are to-day.

## CHAPTER IX

### A WAGES POLICY

IT is important that we should now indicate the general policy which emerges from this review of the position of the British wage system. The policy is in no sense authoritative. It is offered impartially to employers and to trade unions, and, above all, to the public, as a possible means of contributing to economic efficiency and human happiness.

We begin with the assumption that in some shape or form there will always be a system of remuneration or incoming in this country. Quite unnecessarily, some of the exponents of national guilds pushed their criticism of the wages system much too far. No doubt it has involved a certain bondage, and the contract has not been reciprocal in quite the best sense. But contract there must be, even under a guild system, and it is therefore better business to try to make the contract just, complete, and productive of the best for the country. As a matter of fact a section of the guildsmen have fallen into syndicalist error, from which, as we shall see later, it was of the highest importance that they should be saved. In the course of last century the syndicalists became disgusted with the trade union movement, the co-operative movement, and other

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## The Wages of Labour

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movements in turn because they did not abolish the wage-system. Although the syndicalist is compelled to admit that the co-operative movement has increased the incomes of millions of workers who have become members, he urges that it still leaves them working with instruments they are not allowed to control, still receiving in return wages which represent only a part of their product, whilst, as Mr. and Mrs. Webb put it, all the powers of ownership that the worker enjoys are to be attained only by periodically voting, as one among millions, on issues so vast and general as to seem only obscurely connected with his own labours. But no one has ever plausibly imagined a social order without income of some kind. Among all constructive collectivists, and fortunately among many members of the guild school, the idea of dramatic revolution has gone, together with attack on the wage-system, since the transfer of the means of life from private to public ownership and democratic control would merely alter, in the direction of substantial justice, rather than destroy, the principle of remuneration. "This substitution of State or municipal ownership for the private capitalist," said Mr. and Mrs. Webb, "and this effective co-partnership so far as regards the conditions of employment between the agents of the community of consumers on the one hand, and the democratically chosen representatives of the producers on the other, is the nearest, so far as we can see, that the world can

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## A Wages Policy

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come, in all the great staple industries, to the 'abolition of wagedom.' "

Regarding income or remuneration, therefore, as a permanent factor capable of far-reaching improvement in method and amount, consideration of the theoretical controversy outlined in the introductory part of this work would indicate that to some extent among employers and workers wages-fund doctrines survive. For the British masses nothing is more important than that the clearest distinction should be drawn between nominal and real wages, that the movements of real wages should be clearly understood, that the effort should be to raise real wages rather than money income, and that to achieve such a result we should face the question whether an attempt should be made to secure the best and most remunerative use of British capital. In this connexion the phrase remunerative is used in the sense not of monetary return, but of employment in the production of commodities or the provision of services which the community urgently requires.

• We have also seen, in the discussion of the standard rate of the trade unions, that it is in essence a demand for a minimum, that this request for a minimum wage is for the time being world-wide in character, and that the labour code which is emerging under the development of the work of the League of Nations will alter, in due course, the problem of such sweating of labour in other countries as would make the

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## The Wages of Labour

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establishment of a British minimum difficult, looking to the nature of foreign competition. Besides, the benefits of the minimum rate, as tested by British sweated industries of yesterday and the trade boards of to-day, are undeniable. While sliding scales do not appear to offer permanent solution, minimum rates must be made scientific and adjustable; with the improved education and training of the workers the minima must become higher while production becomes cheaper—the true criteria of economic progress. The history of co-partnership and profit-sharing is not encouraging. It is not necessary to adopt the argument that they would permanently undermine collective bargaining; in point of fact the latter could quite easily be directed into consideration of the problems of profit distribution and of business partnership. The real criticism of such schemes is found in the greater advantages of many of the devices of scientific management and payment by results.

The conclusion we have reached is that even in a collectivist State, or in one in which the guild organization had been developed, scientific management is necessary as a public duty for the production of the necessities of life and happiness in such a way as to leave maximum opportunity for participation in the tasks of culture and refinement, which are the real tests of social progress. But scientific management must be a human as well as a business proposition. It must be based on the goodwill and

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## A Wages Policy

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developed with the hearty co-operation of all engaged in industry and commerce. If it becomes merely an instrument for the exploitation of one section of the community by another, it has no future.

Having thus summarized certain conclusions which in themselves appear to form a programme, it is necessary to consider them in the light of the new industrial structure which is being reared. To an appreciable extent wages will depend upon the nature of the industrial environment. In this respect recent developments are more important and far-reaching than is commonly understood.

There is the growing movement in favour of joint control and the democratization of industry. The humblest unit is the works committee. In an individual factory or establishment it is representative of employers and workers. It often deals with only minor questions affecting working conditions within the factory; it thinks of holiday clubs, summer outings, and canteen arrangements. The works committee, however, is capable of great improvement. Many of the most disastrous strikes of recent years have arisen from trifling causes, often concerning an individual worker, which could have been investigated thoroughly, and perhaps adjusted, by a strong works committee. Again, in the process of making wages scientific the works committees have great possibilities. They may be valuable factors in rate-fixing. They may play a useful part in the internal



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## The Wages of Labour

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adjustment of factory remuneration. And they may to an increasing extent participate in the management of the undertaking, conferring upon the workers greater responsibility and power, and assisting to raise them to the new conception of partnership rather than leave them in the old groove as mere servants at the beck and call of others. In short, the works committee is to the coming industrial State what the parish council is to the political State; it is the embodiment of decentralization and of power, a beginning and an end.

The next stage is the trade board. We have seen that in Great Britain there are to-day large numbers of trade boards in operation. Originally applied to the sweated industries, they now extend to the badly organized, to the distributive trades, and to certain spheres where it has been found impossible either to maintain or to provide a joint industrial council. The trade boards have not merely safeguarded a minimum rate for many of the most defenceless of workers; they have contributed to an industrial organization which would probably not have been achieved with the same rapidity apart from their assistance. Thirdly, there are the joint industrial councils, like the works committees and the trade boards, representative of both sides of industry, and capable of great development. So far the experience of the joint industrial councils would seem to indicate that they have most

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## A Wages Policy

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to fear at the hands of those who take a restricted view of the duties to which they can address themselves with profit. They suggest that a joint industrial council should be nothing more than an advisory body, designed to get the views of the workers for what they are worth; that they should do their best to settle national difficulties in wages and working conditions; but that in all circumstances the balance of power must lie with the employers, who, it is urged, have sunk the capital in the enterprise involved. This is an example of much of the narrow reasoning of the time. The workers in effect have also sunk their capital, their skill and ability, a great part of their lives. The better view is that a joint industrial council should make steadily for joint control on the broadest possible lines. By all means let it settle wages and hours and working conditions. But in reality that is only the beginning of its duty to the industry over which it presides. It should be the body in which the common experience and knowledge of the industry are pooled for the public good. Let us suppose, for example, that there was a joint industrial council in coal. It would investigate the general conditions under which British coal is produced; the position of the less favoured mines; the importance of coal-cutting machinery, of which we have ten per cent. in Great Britain compared with the fifty per cent. of the United States; the problem of coal export; the distribution of European

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## The Wages of Labour

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coal under the terms of the peace treaties; and innumerable other issues of the highest importance to the million British coal miners and the industrial countries of the world which depend directly and indirectly upon their efforts. In short, the joint industrial council becomes in that case not merely a national but also an international proposition. It is entrusted with much of the real economic statesmanship of the time. That is the ideal we must seek to attain. Little or nothing will be achieved by joint industrial councils which pass only pious resolutions or meet only to settle some dispute more or less immediate in character. There is hardly any limit to the possibilities of friendly co-operation in economic reconstruction through joint industrial councils based on the wider principles which have just been summarized.

The growth and federation of works committee, trade board and joint industrial council lead us naturally to the threshold of the guild. The numbers who now advocate State Socialism are comparatively small. Even if it were capable of the effective decentralization described by Mr. and Mrs. Webb, it would still be inapplicable to British industrial conditions. Experience does not encourage us to expect from it the highest human contributions in industry and commerce, even assuming some reformation of public and private character. No doubt the guild organization is exposed to similar dangers, but it is promised greater protection by reason of the very

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## A Wages Policy

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path along which industry must travel to even a restricted realization of the guild ideal. It grows almost naturally out of the experience of works committee, trade board and joint industrial council. Its danger lies in the conscious or unconscious introduction of syndicalist principle. If the guild organization can establish a satisfactory relationship to the community as a whole its future would appear to be assured, although many years will necessarily be occupied in the building of the new edifice.

Broadly speaking, it would entrust the management and control of each industry to the people of all classes engaged in it. It would be their duty to make the industry thoroughly efficient. In this they would act as stewards or trustees for the community, to the progress and comfort of which the guild must always be subordinate. In many respects it may be said that a substantial portion of the guild organization is already with us. Where joint industrial councils are complete and effective they have paved the way. Where trust or syndicate operation is comprehensive, there is another contribution of much importance.

Recent students of post-war economic conditions on the Continent have directed attention to two tendencies, notably in Germany and elsewhere—the development of the trust movement within the country and the completion of large trade agreements with powerful groups outside the country. In Great Britain the

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## The Wages of Labour

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trust movement has been strengthened by the war. For the masses of the people the important consideration is that these companies work in association in the regulation of prices, in the purchase of raw materials, and in practically all that matters so far as consumers are concerned. To that extent the trust is therefore in existence. It has sometimes been suggested that, just as the American people have accepted this form of industrial organization, so will the British people acquiesce in it. But that is a very doubtful assertion. There is a marked difference in national psychology. There are profound differences in the organization of labour in the two countries. In the United States labour as a force has fallen on somewhat difficult days. The differences between American and British labour, more particularly in the growing industrial and political power of the latter, make it impossible to believe that trust organization is the system this country will adopt. It would place in the hands of a small section of the people an excessive concentration of economic power. It would be contrary to the progressive demand for democratic control in industry and commerce. The British Government may promise anti-trust legislation, but it is perfectly certain that it will be at least as futile and hopeless as the anti-trust legislation of the United States.

The trust is an inevitable development of the economic history of last century. It is a process

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## A Wages Policy

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of conservation and economy in the use of resources; for the progress of the people it is indeed in many ways desirable, because it lays at least a part of the foundations of a better industrial order. But if we assume that out of these forces some kind of guild structure will emerge it is plain that its progress will depend on at least two conditions. In the first place it must maintain the place of Great Britain in the business counsels of the world. Insularity will destroy not merely the guild but Great Britain, and it would be false to the best forms of internationalism, in which British labour is taking a growing interest. Secondly, the guild must minister to the increasing comfort, happiness and prosperity of the people at home.

Let us look, therefore, in conclusion, to its duty within the State. In the domain of wages or remuneration one of its first duties would be to place at the disposal of the people all the information in its power. According to the Hon. Sir Charles G. Wade, K.C., Agent-General for New South Wales, the importance of such information in the industrial arbitrations of Australia and New Zealand has been largely recognized. Compulsory arbitration, semi-judicial in character, was adopted in New South Wales. In many cases, however, the members of the court were deficient in practical knowledge. It was the practice of the applicants, generally the work-people, to make as large a claim as possible; the

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## The Wages of Labour

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employers retaliated with counter-claims which were equally extreme; and the tribunal, often in a condition resembling disgust, split the difference. This was, of course, thoroughly unsatisfactory. \* In the long run new measures on the lines of the Victorian wages boards were adopted, consisting of representatives of employers and employees, with the stipulation that they should all be practical men. The subsequent history of this arbitration has been somewhat contradictory, partly because of the problem of the compulsory recognition and observance of awards, but the controversy has at least proved the value of presenting all the facts to the tribunal and to the public. This is a central consideration in accurate remuneration, and whether it is achieved by trade board, joint industrial council or guild in this country, or by other means, it is practically certain that a full statement of the capital held, its use, the annual return flowing to subscribers, the distribution of profits and other relevant details will be demanded. Facts are the cure for suspicion. The acknowledged difficulties of an industry, as has been seen in several departments of British business within recent times, are a sound incentive to all engaged in it, and there appears to be no reason why any worker should not have all the information regarding an enterprise towards the success of which he is asked to contribute. These facts are not trade secrets. And inasmuch as this duty would be general

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## A Wages Policy

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in industry, there could be no unfair advantage to competing concerns.

Secondly, it would be the duty of the guild organization to consider carefully, and in a new and better industrial environment, the relation of wages and prices. Our connexion with world markets involves, of course, calculation of price fluctuations as far ahead as we can safely look. Let us take, for example, a period of rising prices. There are those who benefit, including those whose goods rise in price more rapidly than their expenses; many producers can keep down their costs of production at least for a time in a period of rise in general prices. Secondly, there are those who are unaffected by rising prices, where the cost of production rises at the same rate as prices. Thirdly, there are those who suffer from rising prices, together with the large numbers in receipt of fixed incomes. Making all allowance for the changes in industry and commerce which guild or other organization would involve, a considerable proportion of the British people would depend for protection against a rise in prices on small subsidiary callings pursued by themselves, or they would be in the position of people with fixed incomes. What the guild would have to undertake would be the task of safeguarding real income and maintaining the standard of living in the midst of highly important causes of economic fluctuation. It would be necessary to distinguish between what was due to funda-



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## The Wages of Labour

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mental difficulties of production, or of distribution, and those which were attributable to monetary stringency. Certain modifications in the system of currency might be necessary if it was decided to take every step to check a long-continued upward movement of prices, or it might be desirable to adjust machinery for the more rapid alteration of wages, or for the application of wage-awards to larger groups of people.

Among the wider national and international functions of the new organization would be the determination of the proper division of capital and of labour between agriculture and other industry. The question is notoriously complex. It has been urged that we have over-developed manufactures in Great Britain within the past ten or fifteen years, and that it is now necessary to divert both capital and labour into employments which undertake the exploitation of natural resources. But comparison of conditions in this country and in the United States suggests that it is difficult to vary the conclusion of Mr. Layton that, "whereas a general rise in prices due to monetary considerations may fairly be taken as establishing a case for a rise of wages, an upward movement of food and materials not accompanied by a similar rise in other goods cannot always be so regarded. In the latter case it is necessary to look at the reward of labour not merely as a means of consumption, but as a remuneration for production.

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## A Wages Policy

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Unless there is a continuous increase in efficiency, industrial workers under such conditions cannot in the long run maintain the level of their real wages. The balance can only be restored either by improvement in the methods of agriculture, resulting in lower prices, by the increased efficiency of industrial labour to such an extent that it may command the same agricultural product as before, or by the transference of labour as well as capital from industry to agriculture." Antecedent to the payment of wages at all is the use of capital and labour in the enterprises likely to be most productive of useful commodities and services. As we have seen, the failure scientifically to direct both capital and labour into the genuinely remunerative channels is having serious results, and this problem is one of the first with which economic reformers are confronted. It goes to the root of remuneration.

Thirdly, even if the fullest measure of democratic ownership and control were conceded within the next few years the difficulties of British industrial effort will be enormous. Apart from changed conditions in Japan, China, the United States, and certain European countries which will be serious competitors, our own domestic experience since the end of the war has been discouraging. Numerous industries of the most important character are of doubtful solvency. They are suffering from the disastrous effects of subsidy during the war. The Government is rapidly

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## The Wages of Labour

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removing control, and workers foresee, if they have not already experienced, substantial reductions in wages. One of the remedies suggested is the continuance of subsidy. Save as a brief emergency expedient no course could be more unsound. When an industry is subsidized it is impossible to ascertain its exact position; waste is encouraged; and lack of enterprise is endowed at the expense of the people.

The remedy lies, first, in a strong economic programme under the League of Nations; secondly, in the conclusion of such trading agreements as can be completed at the moment; and, thirdly, in the progressive improvement of the efficiency of the industry itself. Coal is perhaps the outstanding example. To subsidize the wages of the miners from national funds is to give a preference to one set of workers at the expense of all the rest. If sound methods of recovery were adopted, we should get a larger output; it is quite possible that there would be no need to reduce to any appreciable extent the remuneration of the miners; and we should be in a position to take effective steps to regain world markets. But, while one industry might take such steps, they are hardly likely to bring a full reward unless the co-operation of other industries is secured. For the recovery of overseas markets the contribution of all interested in merchant shipping is essential. This suggests the possibility, at all events during the period of crisis in the recovery.

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## A Wages Policy

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of industry and commerce, of combined effort on the part of industries complementary to one another, and certainly of those immediately complementary. For any guild organization this would be in all likelihood one of the most fruitful fields. It may be urged that much of the associated effort which is in mind is already achieved either by trusts or other combinations of capital. That may be true up to a point, but the waste of unnecessary competition is still obvious, and with a national indebtedness of eight thousand millions we cannot afford a penny of it. It is the opinion of most of the younger men and women in the ranks of British labour that they will receive equitable treatment only under a reformed industrial and commercial system.

In the discussion of the wages system, as in every other sphere of economic conflict, two schools of thought stand out. There are those who suggest that the only hope is revolution. The form of the revolution, however, differs with each exponent of the doctrine. They speak of wage-slaves and the abolition of the wages system, but they conveniently forget that in any type of society, collectivist or individualist, income and remuneration and some form of, at least, implied contract will remain, although the precise methods may change. The second school looks to the facts. It remembers the four million co-operators, the eight millions in the trade unions affiliated to the Trades Union Congress,

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## The Wages of Labour

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the thirty-six thousand friendly societies with seven millions of members, and the possession of the Parliamentary franchise by approximately one-half of the total population of the country. It notes that the present economic order is changing rapidly. It realizes that remuneration is only one of the issues involved, and by no means the most important. And it falls back upon revisionist methods, a vigorous "constitutionalism," and better education for the people. Sad as the reflection may be, in wages, as in almost everything else, we are at the beginning rather than at the end of civilization. Spectacular revolutions may provide orators and their audiences with a night's intoxication, but cold facts, impartial study, patient enterprise await the workers in the morning.

## INDEX

- ABSTINENCE** theory of wealth accumulation, 6  
**Agricultural labourers**, and a sliding scale, 75  
**Allocation**, problem of, 101, 102  
**America**, scientific management in, 114 *et seq.*  
 —, the trust movement in, 152  
**American and British wages** compared, 45  
**Anti-trust legislation**, 127, 152  
**Apprenticeship system**, breakdown of, 27, 28, 47  
 —, wisdom of, 26  
**Arbitration**, compulsory, 153  
 — courts, and their awards, 84, 153  
 —, lack of uniformity in decisions by, 39  
 —, rate-fixing by, 138  
**Australasia**, movement for shorter hours in, 84  
**Australia**, arbitration courts in, 84, 153  
 —, experience of introduction of minimum wage in, 81  
 —, the miners' demand, 85  
  
**BONUS** schemes, 116 *et seq.*  
 —, and unskilled workers, 132  
**Boot and shoe industry**, 86  
**Bowley, Mr.**, 68  
**Brain work** *versus* hand work, 1  
**Bricklayers** and restriction of output, 40  
**British and American wages**, comparison of, 45  
**British currency**, war depreciation of, 67  
  
**CANADA** adopts minimum wage principle, 82  
  
**Canada**, demand for a forty-four hours week in, 83  
**Canning industry**, profits and labour costs in, 88  
**Capital and labour**, a complex question for, 156  
 — — —, misdirection of, 13 *et seq.*  
 — — —, mutuality of interest between, 9  
 — and population, 9  
 —, federated, 95  
 —, frequent strikes of, 19  
 —, two views of, 4  
**Census of production**, 39, 78  
**Chain-making industry**, 76, 78  
**Cigar workers**, women, 87  
**Clerical labour**, 29  
 —, organization of, 30  
**Coal industry**, effect of subsidy on, 158  
**Collective bargaining**, 93, 95  
 — between employers and trade unions, 140  
 —, new opportunities for, 133, 146  
 —, payment by results and, 131  
 —, trade union insistence on a standard wage, 96  
**Collectivist views** on the wages system, 57, 144  
**Collie, Western Australia**, miners' demand in, 85  
**Combination Laws**, 107  
**Combines**, growth of, 95, 151, 152  
**Committee of Production**, 138-9  
**Commodity theory**, the, 62  
**Companies**, industrial, dividends of, 103  
**Compulsory arbitration**, 153  
**Confectionery workers**, American, and their wages, 87

# Index

- Constructional trades, Austral-  
asian, 84
- Co-operative societies, and accu-  
mulation of wealth, 7
- —, membership, 15, 159
- Co-partnership and adjustment  
of remuneration, 109
- , definition of, 110
- , national guilds and, 72
- , syndicalist objections to,  
144
- Cotton factories, American, 86
- — —, profits and lab-  
our costs in, 88
- Cotton-weavers, sacrifices by, 90
- Coventry, regulation of wages in  
1524, in, 74
- Cradley Heath, chain-making  
industry of, 78-9
- DECENTRALIZATION, views of Mr.  
and Mrs. Webb on, 144, 150
- Demand and supply, law of, 20
- and wages, 11
- , necessity of redirection of,  
13 *et seq.*
- , unlimited nature of, 12
- Differential rate, Taylor's, 115
- Distribution, inequality of, 100
- , the problem of, 72, 98
- Dockers' wages, 105
- Drury, Dr., his work on scien-  
tific management, 114
- on the Rowan premium  
bonus system, 118
- ECONOMIC history and slave lab-  
our, 44
- Economics and the curse of the  
static, 17, 20
- Efficiency earnings, 33
- "Efficiency per cent." rate, 116
- Elizabeth, wages legislation in  
reign of, 75
- Emerson, Harrington, 114
- Employers as rate-fixers, 134, 140
- Engineering trades, an increase  
of wages in, 106
- "Evenness," fallacy of prin-  
ciple of, 23
- Exchange, the, influence of, on  
prices, 45, 47
- Exhaustion of workers and how  
caused, 34, 128 *et seq.*
- FACTORIES, changes needed in,  
130-1
- , the works committee, 146
- Factory Acts, early, 75
- Fatigue, 34, 129
- Federal Bureau of Labour Sta-  
tistics, 87
- Feudalism, Continental, 3
- Fixed wages, evil of, 35
- Flax-spinners and a minimum  
wage, 91-2
- Flint glass makers and a mini-  
mum wage, 91
- Friendly societies, and wealth  
accumulation, 7, 15
- —, membership, 15, 160
- GANTT, Henry L., and Taylor's  
system, 115
- Germany, development of trust  
movement in, 151
- Great Britain, co-partnership  
schemes in, 111 *et seq.*
- —, growth of social  
legislation in, 113
- —, post-war conditions  
in, 68 *et seq.*, 157
- —, the trust movement  
in, 151, 152
- —, waste in, during the  
war, 121, 122, 136
- Guilds and the wages system,  
61 *et seq.*, 72, 143, 156
- , functions that might be  
entrusted to, 151 *et seq.*
- , objects of the mediæval, 27
- HALSEY, F. A.; his premium  
bonus system, 117
- Hand work *versus* brain work, 1
- Handloom weavers, wages-board  
scheme for, 75
- Harding, President, 17
- Housing question, the, 14, 59
- Hoxie, Mr., 140

# Index

- INCOME remuneration, 65, 73  
 —, economic conception of, 2,  
 145  
 — tax, loss to Exchequer by  
 fraud and evasion, 104  
 —, Royal Commission's  
 recommendations on, 99  
 Index numbers and the sliding  
 scale, 104  
 Individual rate-fixing, 137  
 Industrial companies, dividends  
 paid by, 103  
 — councils, 148  
 — Court, the, 106-7  
 — Fatigue Research Board,  
 the, 129  
 Industries, British, post-war  
 conditions in, 158  
 Industry, democratization of,  
 130, 147  
 —, physical and mental strain  
 of, 34 *et seq.*, 129  
 —, total values created in,  
 and how distributed, 100  
 Inge, Dean, on progress, 37  
 Iron, British, high price of, 70  
 JOINT control, movement in fav-  
 our of, 146  
 — industrial councils, their  
 work, 148  
 — rate-fixing, 138, 140  
 Jones, Dr. E. D., on psychology  
 of Americans, 117  
 Justices of the peace as wage ad-  
 judicators, 74  
 LABOUR and distribution, 101  
 — and wage reductions, 46  
 — as a commodity, 62  
 — dislike of varying district  
 rates, 83  
 —, division of, present-day, 26  
 —, federated, 95  
 —, human restriction of sup-  
 ply of, 51  
 —, wages of, and salaries, 1  
 Layton, W. T., 3, 101, 156  
 League of Nations, the, 94, 95,  
 145, 158  
 London, Ontario, a tramway-  
 men's strike in, 82-3  
 Luxury pursuits, 13, 16  
 — trades, investment in, 59,  
 61  
 MACHINERY and enhanced pro-  
 duction, 126  
 Macrosty, H. W., and the trust  
 movement, 22  
 Malthus, 9  
 Man, primitive, and how re-  
 munerated, 3  
 Marshall, Professor, 4, 6, 43, 51  
 —, and wages-fund theory, 10  
 — on economics, 18  
 — on efficiency earnings, 38  
 — on the Combination Laws,  
 107  
 Marxians, divisions among, 57  
 Mediæval guilds and modern  
 trade unions, 27  
 Metal industry, American, 86  
 Middle Ages, the, economic  
 teaching of, 4, 17  
 Mill, John Stuart, and wages-  
 fund theory, 10  
 Miners, Australian, and why  
 they demanded an increase  
 of wages, 85  
 —, British, a subsidy to, 158  
 Minimum wage, advantages and  
 benefits of, 81, 146  
 —, Canada adopts prin-  
 ciple of, 82  
 —, sacrifices by workers  
 to secure, 90  
 —, world-wide demand  
 for, 81, 82, 145  
 — Wage Bill, Whitbread's, 75  
 — Conference, the, re-  
 commendations of, regard-  
 ing women's wages, 88  
 Minimum-of-subsistence theory  
 of wages, 64  
 Minimum rate and standard  
 wage, 74 *et seq.*, 90 *et seq.*  
 Ministry of Labour, the, 76, 138  
 Monopoly system and wealth ac-  
 cumulation, 6



# Index

- Municipal ownership, views of  
 Mr. and Mrs. Webb on, 144  
 — regulation of wages, 74  
 Munition workers, bonus schemes  
 for, 121  
 — wages of, 68, 135  
 Myers, Dr. Charles S., 34, 39.
- NATIONAL guilds, criticism of  
 wages system by, 61 *et seq.*,  
 72 (see also Guilds)  
 — health insurance, 113  
 — Industrial Conference  
 Board, U.S.A., 85  
 — Union of Railwaymen,  
 sliding scale of, 104  
 Newmarch lectures, 98  
 New York, wages of women  
 workers in, 87  
 New Zealand Arbitration Court,  
 the, 84  
 — compulsory arbitra-  
 tion in, 153  
 Nominal wages and real wages,  
 rise and fall in, 67-8, 71  
 "Normalcy," 17  
 Nova Scotia and a minimum  
 wage, 82
- OCCUPATIONS, disagreeable, cause  
 of low wages in, 52  
 Ontario, a tramwaymen's strike  
 in, 82-3  
 Output, effect of reduction of  
 hours on, 86  
 — remuneration based on, 31  
 — restriction of, some causes  
 of, 39 *et seq.*  
 — schemes to ensure increase  
 of, 115 *et seq.*
- PAPER box-makers, women, wages  
 of, 87  
 — currency, the, 67  
 Part-time employment, and why  
 necessary, 48  
 Payment by results, 31 *et seq.*  
 — — — — —, and the prin-  
 ciple of collective bargain-  
 ing, 131
- Payment by results, considera-  
 tions underlying, 32  
 — — — — —, duty of impar-  
 tial consideration of, 142  
 — — — — —, necessity of  
 publicity for, 103-4, 142,  
 125, 141  
 — — — — —, objections to  
 system of, 36  
 — — — — —, schemes for, 115  
 Personal capital, its dependence  
 on remuneration, 4 *et seq.*  
 Piece-work, alleged exhausting  
 nature of, 34, 128  
 —, objections to system of,  
 127, 128  
 —, payment for, 21  
 —, various kinds of, 119  
 Pig-iron, British and American,  
 cost of, 45  
 Population and capital, 9  
 Post-war conditions in Great  
 Britain, 68 *et seq.*, 157  
 Premium bonus systems, 116, 117  
 Price associations, growth of, 95  
 Prices, high rate of, during the  
 war, 69  
 — in periods of depression,  
 70  
 —, rise and fall of, influence  
 on real and nominal wages,  
 67-8, 155  
 Production, census of, 39, 78  
 —, expansion of, share of  
 capital and labour in, 101  
 Profit, how it should be re-  
 garded, 102  
 Profit-sharing and adjustment  
 of remuneration, 109  
 —, causes of discontinuance  
 of schemes for, 111 *et seq.*  
 —, official definition of, 109  
 —, why distrusted by the  
 worker, 112  
 Progress, Dean Inge on, 37
- RATE-FIXING, an ideal system of,  
 138, 140  
 — and rate-cutting, 134  
 —, by arbitration, 136

# Index

- Rate-fixing by employers, 134, 140  
 —, individual, 137  
 —, joint, 138  
 —, the Halsey system and, 118  
 —, untrustworthiness of war  
 • experience in, 135, 136  
 Real wages and nominal wages,  
 rise and fall in, 67-8, 71  
 Remuneration, improvement in,  
 necessary for efficiency, 98  
 —, methods of, 19 *et seq.*  
 Rest, intervals for, in daily oc-  
 cupations, 129, 131  
 Ricardo, 9  
 Richard II., labour legislation  
 in reign of, 74  
 Rings, growth of, 95  
 Rowan premium bonus system,  
 117, 118  
 Royal Commission on Income  
 Tax, 99, 103
- SALARIES, unreal distinction be-  
 tween wages and, 1  
 Saskatchewan and the minimum  
 wage, 82  
 Scientific management and ad-  
 justment of remuneration,  
 109 *et seq.*, 124 *et seq.*  
 —, apathy of employers  
 towards, 124, 126  
 —, in development of  
 American industry, 114 *et  
 seq.*  
 —, necessity of, and  
 what it must be, 37 *et seq.*,  
 47, 147  
 —, workers' objections  
 to, 124, 126 *et seq.*  
 Scottish textile industry, the, 93  
 Seligman, Professor, 69, 70  
 —, on labour as a commodity,  
 62  
 Separation allowances, 68  
 Silk industry, American, reduc-  
 tion of hours in, 86  
 'Slave labour the dearest of all  
 forms of labour, 44  
 Sliding scale, a, agricultural  
 labourers and, 75
- Sliding scales based on variation  
 in cost of living, 104 *et seq.*,  
 146  
 Smith, Adam, 9  
 —, on causes of wage rises, 60  
 South Africa, Union of, wage  
 boards in, 84  
 Stamp, Sir Josiah, and the pro-  
 blem of distribution, 98-9  
 Standard wage and minimum  
 rate, 74 *et seq.*, 90 *et seq.*  
 —, labour's view on, 101  
 —, weaknesses of, 108  
 State ownership, views of Mr.  
 and Mrs. Webb on, 144, 150  
 Statistical research, British,  
 weakness in, 105  
 Steel, British, why prices are  
 high, 70  
 —, Corporation of U.S.A., 88-9  
 —, corporations, American, re-  
 fuse shorter hours, 85  
 Strikes and how they might be  
 averted, 147  
 Subsidies, unsoundness of, 157,  
 158  
 Super-tax, the, institution of, 99  
 Supplementary earnings, 48  
 Supply and demand, law of, 20  
 Surplus value, theory of appro-  
 priation of, 57, 63  
 Sweating, prevalence of, in 19th  
 century, 76  
 Syndicalists, 143, 144  
 Syndicates, growth of, 95
- TAILORS, underpayment of, 76  
 "Task and bonus method," the,  
 116  
 Tawney, R. H., 78-9, 80  
 Taxpayers, increase in number  
 of, 99  
 Taylor, Frederick W., 114  
 Technical education, wisdom of,  
 27, 47  
 "Telescopic faculty," the, 6  
 Texas, wages of women and  
 minors in, 88  
 Textile industry, Scottish, 93  
 Time-wages, 21 *et seq.*

# Index

- Time-wages, essentials for, and danger of, 97
- Trade boards, a provision for variation of minimum rates, 92
- , advantages to workers in chain-making of, 80
- , and their work, 148
- , attacks on, 91, 92
- , duties of, 77
- , inception of, 76
- , why opposed, 80
- Trade Boards Act, the, scope of, 76
- Trade unions and a standard wage, 74, 96
- , and accumulation of wealth, 7, 15
- , and rate-fixing, 140
- , and restriction of output, 40
- , and technical education, 27 *et seq.*
- , and the piece-work system, 97, 127, 132
- , fusion of, 96
- , membership of, 15, 67, 159
- , original aim of, 107
- Trust organizations, growth of, 22, 95, 151, 152
- UNEMPLOYMENT benefit, 113
- , in periods of depression and transition, 69, 70, 126
- United States, the, metal trades of, 85
- , nominal and real wages in (1886-1903), 69
- , three types of sliding scale in, 104
- Unskilled workers, recognition of, during the war, 132, 135
- VALUE, theory of, 11
- Victorian wages boards, 154
- WADE, Hon. Sir Charles G., 153
- Wage boards in Canada and South Africa, 33-4
- Wages awards, confusion caused by, 111
- , danger of both inflated and low, 45
- , fixed by justices of the peace, 74 *et seq.*
- , fund theory, the, 10
- , influence of rise and fall in prices on, 67-8, 155
- , municipal regulation of, 74
- , policy, a, 143 *et seq.*
- , statistics of, 70
- , system, criticism of, 57
- , demoralization of, by war-time practices, 122
- , nature of, 19, 43
- , two schools of thought in discussion of, 159
- , time-earning system of, 21
- , unreal distinction between salaries and, 1
- War-time prosperity, misleading features of, 68
- , waste of national funds in, 121, 122, 136
- Wealth, how produced, 4 *et seq.*
- Weavers, regulation of wages for, 74-5
- Webb, Mr. and Mrs., 90, 144, 150
- Whitbread's minimum wage bill, 75
- Whitley award, the, 72
- Williams, John, 88
- Women, work of, during the war, 68
- , workers and the minimum wage, 88
- Work fund theory, the, 126
- Working week, movements for a shorter, 83, 85
- Workmen's compensation, 113
- Works committees, how composed, and their duties, 147
- YORKSHIRE, a bonus output scheme in, 120





